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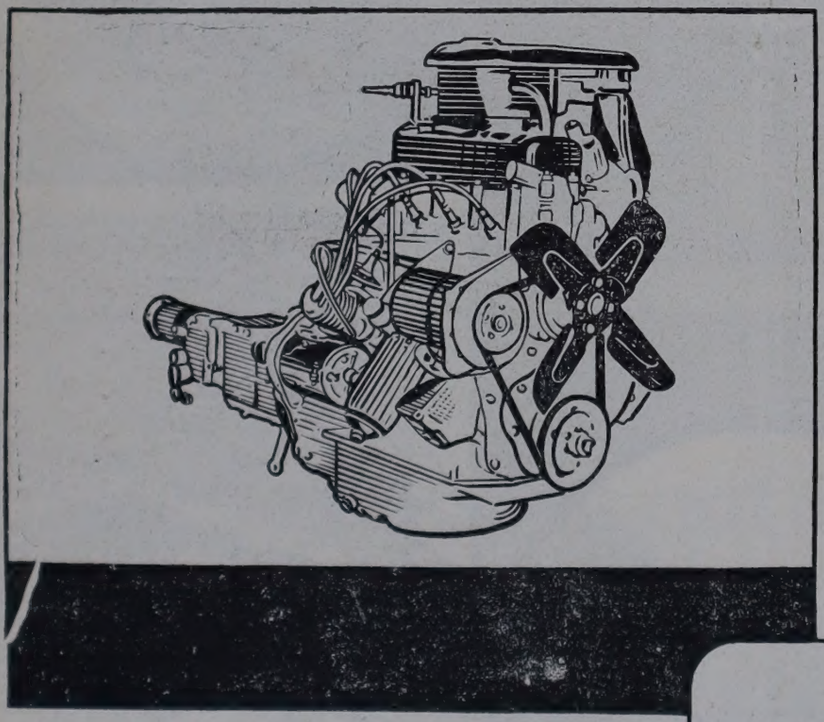

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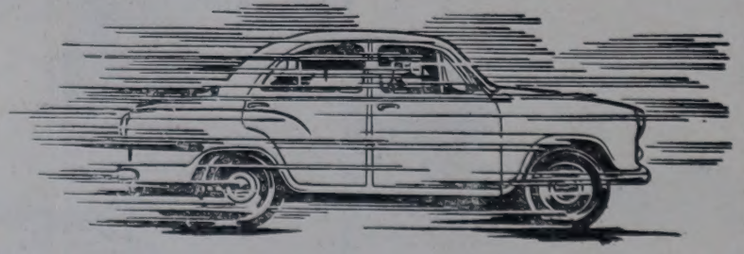

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Water is good

"WATER IS good" say the *Upanishads*, but like all truths, this one too has a deeper meaning besides the obvious one. It is said that man invented or at least discovered fire and, in Greek mythology, Prometheus had to suffer the wrath of Zeus and bear terrible punishment because he helped mere mortals to break the monopoly of the gods in this element. Earth itself is said to have taken shape out of water and the origin of life is stated to lie in the primal slime. Even the sky would have had nothing to hang over except the void had there been no water and what flowed from it. In this sense or in this way water is good, for it is not only life, but also more than life itself.

This is the obvious meaning of the saying of the *Upanishads*. The more complex truth is that, like everything else that works on man or on which man works, water is good only when men have become wise to its ways and have developed the skills for making good use of it. This is a lesson which the human race has been learning over and over again in many lands since the day when the universe ceased to be a total mystery even to the primitive mind.

As these lines are being written, an angry deluge is coursing down the Yamuna in the capital. This year's floods, the worst in living memory in some parts of northern India, remind us once more that while water is good, the goodness of water cannot be taken for granted. There is of course an endless argument among experts on whether floods are in their net effect or ultimate result more baneful than beneficial or the other way about. It is said, for instance, that Egypt became the cradle of civilization because of the floods that fertilized the Valley of the Nile. Even in more modest terms the damage caused by floods to people and their crops and other possessions is held to be repairable and, except in cases of the excessive cruelty of nature, or the utter fecklessness of man, the loss of human lives, it is pointed out, may not be large. The floods, again, are supposed to make good the negative consequences of their destructive proclivities by leaving behind them a nourishing sediment of alluvial soil which helps the earth to renew itself.

As against all this, certain harsh realities must be counted. Where the floods are caused by man's foolish exploitation of the environment, resulting in the deforestation of hills, soil erosion in the catchment areas of great rivers, silting of river bases and other storage capacities and above all by his failure to coordinate irrigation works with the drainage needs of river systems, it is impossible to consider the wrathful waste of waters as they rush over the habitations of men towards and into the seas as anything but a man-made disaster. Especially in a country such as ours, so largely at the mercy of variable monsoons, floods of large dimensions cannot but be regarded as man-made disasters.

Right now, despite the floods, a good south-west monsoon has brought greater strength and confidence to the Indian economy, particularly to the rural population. There will be another year of large harvests, extending over a wide range of food for men and cattle and agricultural raw materials such as cotton, oilseeds, sugarcane and jute which are the foundations for some of our major industries. With the increased production of these essential commodities, rural incomes will gain, but not at the expense of urban consumers, since they too may reasonably expect to benefit from stable or lower prices. All this should augment the nation's capacity for pushing its economic growth faster. Provided politics in the central government and the similar pre-occupations of state governments allow them to play an even marginally positive role in improving the context for the development process, the year 1979 may well turn out to be a period of cheer and constructive achievement for the people of this country. Even some of the desert areas in Rajasthan are stated to be sharing in the current greening of our land.

Water and agriculture

INDIAN AGRICULTURE is proverbially known as a gamble in the monsoons. That it continues to be so, notwithstanding concerted developmental efforts in the areas of irrigation and water use and water conservation, especially since the latter half of the fifties, is evident from the vicissitudes in the production of foodgrains or commercial crops.

Timely and sufficient rains can make a vital difference to the fortunes of the farming community, even though overall weather conditions affect almost every phase of agricultural activity—from the preparatory tillage stage to harvesting and storage. This is because the kharif season, which accounts for nearly 60 per cent of our foodgrains output and even a higher proportion of such crops as cotton, sugarcane and groundnut, has its prospects more or less directly linked to the behaviour of the monsoons. Even during the rabi season, in which the dependence on rains is not as overwhelming as in the kharif season, timely showers are said to make a difference of from five to 10 per cent in output.

steady growth

Our production of foodgrains, no doubt, has been growing steadily—it went up from about 52 million tonnes in 1951-52 to 69.8 million tonnes in 1956-57, 82.7 million tonnes in 1961-62, 89.4 million tonnes in 1964-65, 95.1 million tonnes in 1967-68, 108.4 million tonnes in 1970-71 and slightly over 125 million tonnes last year, it suffered appreciable setbacks, compared to the preceding years, in 1957-58, 1965-66, 1966-67, 1972-73 and 1974-75 when it was of the order of 64.3 million tonnes, 72.3 million tonnes, 74.2 million tonnes, 97 million tonnes and 99.82 million tonnes, respectively. A significant point to be noted in this connection, however, is that whereas the output of all foodgrains declined in these years, the fall in the production of coarse grains and pulses, the cultivation of which is primarily dependent on rains, was relatively higher.

The behaviour of the overall agricultural production, reflected in the index of agricultural output, during the last 30 years, has been no different. This index (base 1961-62=100) improved steadily from 68.9 in 1950-51 to 89.5 in 1956-57, with a marginal setback in 1955-56, but declined significantly to 83.7 in 1957-58, a year of drought. It moved up again in the subsequent year to 96.6 to fall to 94.3 in 1959-60. By 1964-65, it had risen to 115. The subsequent two years saw a decline in it to 95.8 and 95.9, thanks to adverse weather conditions. The next sharp break in it came in 1972-73 when it fell to 120.6 from 130.9 in the previous year.

the compensation

While adequate water availability is of crucial importance, particularly at the stages of sowing, flowering and grain-forming, some deficiency or excess resulting from inadequate rains or floods at other times also does affect productivity or cause damage to crops. The impact of the latter, however, is not said to be that pronounced as that of drought conditions at the crucial stages of sowing, flowering and grain-formation. Instances are also not wanting of the flood ravages, which occur mainly during the kharif season, being compensated to a great extent in the subsequent rabi season in which sowings get facilitated as a sequel to moisture in land. If modern farming techniques are being followed, sufficient moisture or water availability provides fillip to the application of fertilizers also. This is stated to have a direct co-relation with increase in production, provided, of course, adequate care is taken of pests and diseases. Every kilogram of NPK fertilizers is estimated to yield additionally 13 kgs of wheat or 8 kgs of rice.

Water management on the farms undoubtedly is assuming increasing importance in the modern agriculture. It is encouraging to note that the new agricultural strategy takes full cognizance of this. The draft sixth Plan observes: "The main support to the agricultural programme in the Plan is a large step-up in the irrigation potential—17 million hectares, as against 8.6 million hectares created in the first four years of the fifth Plan". Of the 17 million hectares additional irrigational potential to be created during the five years to 1982-83, nine million hectares will be as a result of minor irrigation schemes—seven million hectares through ground water development and the remaining two million hectares from surface irrigation projects—and eight million hectares from major and medium projects.

increasing coverage

The importance of the above effort can be gauged from the fact that between 1950-51 and 1976-77, the net irrigated area in the country went up from 20.9 million hectares to approximately 37 million hectares and the gross area under irrigation from 22.6 million hectares to about 45 million hectares. In 1977-78, irrigation facilities are stated to have been extended to an additional area of 2.8 million hectares, as against one/1.5 million hectares per annum on an average since 1970-71. This year 3.4 million hectares more are envisaged to be brought under irrigation.

The outlay for irrigation during the five years to 1982-83 is proposed to be stepped up from Rs 3,811 crores for the fifth

Plan period covering the five years to 1978-79, to as much as Rs 8,975 crores—from Rs 3,089 crores to Rs 7,250 crores in the case of major and medium projects and from Rs 792 crores to Rs 1,725 crores in the case of minor schemes. An all-out effort is being made to expedite the completion of the on-going projects, securing of full utilisation of the potential already created, proper maintenance and operation of the existing irrigation schemes and starting of new projects through the settlement of inter-state river water disputes. In the sphere of minor irrigation, apart from a careful assessment of ground-water potential, so as to minimise wasteful expenditure and prevent over-exploitation, special attention is to be paid to the co-ordination of these programmes with rural electrification schemes and conjunctive use of surface and groundwater.

Flood control measures and drainage too are assuming heightened importance in view of the damage caused to crops during the monsoon season, besides their being a social necessity. A provision of Rs 675 crores has been made for this purpose for the five years to 1982-83, as against Rs 345 crores during the fifth Plan period. Reasonable protection from floods is estimated to have been provided since 1954, when a systematic action was taken to control floods after the devastation caused by them in that year in various parts of the country, to about 8.5 million hectares.

unprecedented floods

No precise estimates of the annual loss to agricultural output owing to floods are available, but it is said to be around Rs 100 crores in the periods of severe floods, even though a good deal of this loss, an mentioned earlier, is made up during the ensuing cropping season. This year's unprecedented floods in various parts of the country have added a new dimension to the flood control programme. It is felt that the proposed expenditure during the current Plan period may have to be stepped up.

To some extent, the recurrent annual flood havoc will be contained, particularly in north India, as a result of the understandings reached recently amongst the states concerned on the harnessing of such inter-state rivers as the Narmada and the Subarnarekha. But relentless efforts will have to be continued to tame some of the eastern rivers. The cooperation of Nepal appears to be necessary for this purpose.

A serious look at the grandiose garland canal project connecting all the major rivers in the country too seems to be urgently called for not only with a view to containing floods but also for extending irrigation facilities to the maximum extent possible. Currently, nearly 75 per cent of the cultivable area in the country is estimated to be still dependent on rains for water availability. A good proportion of it, of course, has assured rainfall. But wide fluctuations in rains are not uncommon in most parts of the country, especially Gujarat, Rajasthan, Punjab, Haryana, Uttar Pradesh, west Madhya Pradesh, central Maharashtra, interior Karnataka, and parts of Bihar, Andhra Pradesh and Tamil Nadu. Popularliation of such schemes as dry farming on scientific methods, indeed, can help in raising agricultural production. Yet the more sure way of doing so is making water available to as large an area under cultivation as possible. The high-yielding varieties of seeds and the application of fertilizers, which have a great role to play in augmenting farm productivity, find favour with agriculturists only when they are sure of adequate water availability.

Water that goes waste

THE NEED of water by the agricultural sector of our economy is no doubt immense, but industry also requires steady and sufficient supply in order to keep its wheels moving. The quantity of water needed by an industrial plant depends upon the product manufactured as well as the process of manufacture. However, power generated by hydro-electric plants or through other means is an essential requirement of manufacturing processes outside manual crafts. In our country, hydro-electricity constitutes nearly two-thirds of the total power generated and therefore it has immense relevance to the current activity as well as future growth in industry.

Unfortunately, this country has not so far undertaken adequate exploitation of the hydro-electric possibilities that exist. The latest survey of these possibilities, which was made in the early 50s, estimated that the total hydro-electric potential of the country was around 42 million KW at 65 per cent load factor. The latest assessments indicate that only 13 per cent of the potential as estimated in the 50s had been utilised till the end of the fourth Plan period and that about 27.9 per cent of the potential is now either developed or is under development. It is just possible that if a new assessment is made in regard to the typographical and hydrological data regarding river basins, coupled with the latest technological advances which have been made in this field, the hydro-electric potential would turn out to be much higher than the estimate made two decades earlier.

The government of India is reported to have drawn up a scheme for the setting up of a specialised cell in the Central Electricity Authority for updating the hydro-electric potential of the country. A comprehensive national survey has been planned and the ministry of Energy is reported to have sanctioned in October last about Rs 30 lakhs for the completion of this project. It is estimated that the survey will take at least five years to complete.

The importance of hydro-electric power to industry cannot be overemphasised. It is not only cheaper than any other type of power, but has also the additional advantage that it is a clean source of energy as compared to thermal and nuclear power. Moreover, it is thrown up as a part of a hydro-electric scheme within a multipurpose project. Understandably, the latest draft of the five-year Plan for the period ending 1982-83 has given pride of place to hydro-electric power generation.

The exploitation of this potential has

been extremely uneven in different parts of the country. At the end of 1978-79, the southern region topped the list as nearly 46 per cent of its hydro electric potential had been developed. The northern region ranked second with 26 per cent, followed by the eastern region at 16.60 per cent and the western region at 15.78 per cent; the north-eastern region had developed less than one per cent of its potential. Tamil Nadu leads in the exploitation of the available hydro-electric potential. Its achievement in 1978-79 would be as high as 142.32 per cent in relation to the estimate made in the 50s. Surely other states have to make concerted efforts in order to reach the level of at least 50 per cent of the potential available. Sikkim is at the bottom of the list with hardly two per cent of its potential being harnessed.

key to industrialisation

Current estimates show that, at the end of 1983-84, the hydro-electric potential would be developed up to 70.99 per cent in the southern region, 33.71 per cent in the northern region, 29.30 per cent in the eastern region, 17.84 per cent in the western region and 1.94 per cent in the north-eastern region. The key to the industrialisation of a state lies in the liberal availability of electricity and where hydro-electricity is available, its use should be maximised. It is for the Planning Commission as well as the government of India to take such measures as would reduce the imbalance in the development of hydro-electric potential in the various states of the country.

The river water disputes between different states have been resolved only partly; the tardy progress in the use of the waters of some rivers and also the delay in the completion of hydro-electric projects are due to the differences among the states. The Janata government has taken the right step in adopting the role of a mediator among different states, persuading each one of them to come to some compromise solution. The waters of these rivers flowing through different states can be used not only for promoting agriculture but also for generating power and for accelerating the pace of industrialisation through increased consumption of power.

Then there are certain industrial belts in the country where the shortage of water can operate as a break on speedy industrialisation. For example, in the area around Asansol, a water famine can cause not only a shortage of drinking water but also a slow-down in industrial expansion. Recently, the Damodar Valley Corporation (DVC) struck a note of warning when it forecast that, by 1980-82 there might be an acute water famine in the area extending from Asansol to Panagarh if new barrages are not set up without loss of time. The West Bengal government has been advised by the DVC not to set up any new industries in this area without taking measures for increasing the supply of water. The DVC engineers stated recently that they had kept the governments of West Bengal and Bihar and the government of India informed of this eventuality. Recently the chief ministers of Bihar and West Bengal are reported to have decided to raise the height of the Panchet dam to hold more water. But this is a decision which can be taken only on the advice of experts. If they come to the conclusion that the raising of the dam is not feasible due to technical reasons, the governments of these two states will have to find alternative sources of water supply.

The same story is likely to be repeated in many other industrial belts all over the country. Without adequate supply of water, many of the chemical plants cannot operate. In fact, the precautions against the pollution of available water supply by these plants have been extremely inadequate. In Europe, all chemical and industrial plants are required to purify and render clinically harmless all effluents before allowing them to be thrown into rivers and canals.

The department of Science and Technology here claims to have made a beginning in this regard; 24 schemes have so far been approved and are being implemented by different research institutes. For example, the River Research Institute, Calcutta, has undertaken the chemical investigation of river water for irrigation, domestic purposes, industries and fish culture. Similar research work is being conducted by Andhra Pradesh Engineering Research Laboratories, Hyderabad; Uttar Pradesh Irrigation Research Institute, Roorkee and other institutes located at Bhopal, Baroda, Nasik and Peechi (Kerala).

Tea as milch cow

THE ASSAM government is reported to have represented to the government of India that it should receive a share of the proceeds from the export duty on tea. The state government seems to feel that since Assam contributes substantially to the country's total exports, it is entitled to get a portion of the revenue from export duty. In 1977-78, out of the total exports of 220 million kg, about 110 million kg came from Assam. The government of India derived nearly Rs 80 crores from the export duty but Assam did not get anything from this. Assam has also pointed out that if, instead of the export duty, the centre had levied a higher excise duty, the total revenue would have been higher and the state also would have got a share from it. The other tea producing states like West Bengal, Tripura, Kerala and Tamil Nadu are also said to be thinking on the lines of Assam.

It seems rather strange that when the tea industry has been strongly urging New Delhi to remove the export duty on tea, or at least reduce it substantially, the state governments should think it appropriate to press for a share of its proceeds. The industry's case is based on the fact that because of the levy of export duty, the exports have suffered heavily and are likely to suffer further in the coming months. As the Tea Association of India said, in a statement issued in July, "the purpose of curbing high prices at home market has been served but its effect on the overall tea prices and the marketing of surplus teas has been quite disastrous. The fear of shortage repeating itself this

season like last season caused the buyers abroad to stock in sufficient quantity. Being in comfortable position, they have focussed their attention on cheap sources of supplies. The landing cost of Indian teas being much higher due to the addition of Rs 5 per kg (i.e. 41 pence per kg), teas from other countries like East Africa and Sri Lanka are being favoured. Our tea exporters are finding it very difficult during the current season to compete with the cheaper teas of those countries at London auctions". The association added that in recent London auctions the prices had averaged less than 119 pence per kg and some common varieties had fetched a price of 105 to 110 P. Compared to this price realisation, the landed cost of Indian teas at London had amounted to 125 to 130 P. in July.

Export earnings from tea in 1977-78 amounted to Rs 556 crores but in the current year there has been a downward trend. In April and May 1978 the export amounted to only 16.00 million kgs valued at Rs 32.95 crores compared to 20.39 million kgs worth Rs 58.12 crores in the same months of 1977, the fall in the unit price being from Rs 28.50 per kg to Rs 20.59. Thus there was a decline of 4.37 million kg in quantity, Rs 27.17 crores in value and Rs 7.91 per kg in the unit price. The industry seems to feel that the continuation of the export duty at the current level of Rs 5 per kg is likely to affect exports adversely in the coming months.

Japanese reaction

Some of the countries importing Indian tea are reported to have expressed their regret and resentment at New Delhi's decision to continue the export duty. For example, a tea buying delegation from Japan which came to India a few days ago expressed the view that unless the duty was either removed or reduced considerably, there was no possibility of Japan reviving its purchase of Indian tea: on the contrary, her offtake might fall further. In 1976, Japan imported 731 tonnes of Indian tea, the total imports being 15,489 tonnes. In January-April 1978, Japan's imports of tea in bulk amounted to 1,655,414 kgs of which India accounted for 144,556 kgs. The other suppliers in this period were the UK (re-exports) accounting for 697,423 kgs, Sri Lanka 660,868 kgs, Kenya 91,736 kgs, Bangladesh 22,861 kgs, the rest of the tea coming from Taiwan, Argentina, Indonesia, Tanzania and the People's Republic of China. According to the delegation, the share of Indian tea in Japan's import could be increasedat least by 10 per cent if the export duty was reduced. New Delhi has been urging other countries to reduce their tariff rates in order to facilitate the export of Indian goods. But at the same time it continues to retain the export duty on tea even though the circumstances, in which it was introduced, have drastically changed and is causing understandable annoyance among countries like Japan.

agricultural income-tax

The prospects of the government of India reducing the export duty or removing it now seem to have become remote in view of the insistence of the state governments to ask for a share from its proceeds. State governments such as Assam and West Bengal have already been taxing the tea industry quite heavily. In 1977, Assam raised the agricultural income tax rate to 70 per cent and West Bengal to 75 per cent and 80 per cent for the rupee and foreign companies, respectively. At the annual general meeting of the Indian Tea Association held in April this year, Mr M. Ahmed drew attention to the steep enhancement of the agricultural income tax rates in Assam and West Bengal and pointed out that the tea industry had been discriminated against in an unfair manner. If a tea company in West Bengal earned a gross profit of Rs 25 lakhs, it would have to pay over Rs 17 lakhs as income tax compared to only Rs 14½ lakhs to be paid by a company engaged in any other industry. He said that this amounted to "virtual confiscation of profit" which would leave the industry with hardly any resources to plough back when it has been called upon to increase its production at the rate of 25 to 35 million kg per annum.

Mr Mohan Dharia, the Commerce minister, recently referred to the "resilience, adaptability and manoeuvrability of the tea industry" and he attributed these qualities to the "pragmatic and objective approach to the problems confronting the industry with the backing of a high standard of professional expertise". He expressed the hope that these qualities would stand in good stead in achieving a production level of about 1200 to 1300 million kgs by the turn of the century and he felt confident that the industry would be able to increase its own internal resources which could be ploughed back for further development. But neither the centre nor the state governments seem to be willing to make any modification in their tax policies even when it is clearly seen that they tend to weaken the industry's competitive capacity.

India's tea industry has been described as "one of the finest agro assets of the country". India has emerged as the biggest producer, consumer and exporter of tea. But from the point of view of the state governments what is more relevant to note is the role of the industry as a large generator of direct and indirect employment. It is estimated that the industry directly employs nine lakh workers and that twice this number finds indirect employment in it. Moreover, the tea estates are located in the backward areas and the bulk of the labour belongs to the scheduled tribes and castes. Can the state governments therefore afford to remain indifferent to the prosperity of this industry?

Behind every successful man is a woman

CAPITAL'S CORRIDORS

R. C. Ummat

Railway finances • Rural development • Sachar panel report

THE MINISTER for Railways, Mr Madhu Dandavate, confirmed in Lok Sabha last week that the gross earnings of railways during the first quarter of the current financial year, though marginally higher than those during this period last year, substantially fell short of the proportionate quarterly budget estimate. The gross earnings during the three months to June 30, he revealed, aggregated to Rs 546.96 crores—Rs 9 lakhs more than the earnings during the three months to June 30, 1977. The proportionate budget estimate for three months was Rs 568.46 crores. The shorfall from the budgetary estimate thus amounted to Rs 23.50 crores.

The setback to the gross revenue was attributed by him entirely to the decline in goods traffic. The earnings from the passenger, parcels and miscellaneous trffic was stated to have exceeded budgetary anticipations. It, however, has not been clarified how much more revenue has been received from these sources. The earnings from goods traffic, perhaps, have shown a decline even from the revenue during April-June, 1977.

loss of traffic

The revenue goods loading traffic during April to June this year, Mr Dandavate said, had been of the order of only 49.62 million tonnes, as against 52.73 million tonnes during the corresponding quarter last year and the proportionate budget estimate of 54.90 million tonnes. The loss of traffic was attributed to the shortfalls in production at the collieries, washeries, steel plants and ore mines. There had been some decline in the traffic in the ports sector as well.

The working expenses of the railways during the period April to June this year, on the other hand, were stated to have grown to Rs 389.18 crores from Rs 359.50 crores in the corresponding period last year. The overall working expenses, of course, it was claimed, had been contained during the proportionate budget estimate.

industrial relations

Significantly enough the minister contested the observation that widespread discontent among the staff was responsible for the deterioration in the operations of railways. He stated: "While it is true that there have been a few agitations in some parts of the railway system, it is an exaggeration to describe widespread discontent among the staff as the sole factor responsible for the deterioration in operation". He stressed that special attention was being paid to the redressal of staff grievances and the settlement of the various economic demands of the workforce. The industrial relations on the railways, therefore, were "very satisfactory" and conducive to efficient working.

The situation, Mr Dandavate assured the house, had improved somewhat in July. During this month, the originating loadings increased to 23,803 broad-gauge and 5,228 metre gauge wagons per day from 23,193 and 5,191 wagons, respectively, in June.

The railways hope to make up for the loss during the course of the coming months. But it is a moot point whether they will be able to come up to the budget estimate. Meanwhile, the working expenses may exceed the budget estimate as a result of some factors affecting these expenses in regard to which decision have been taken subsequent to the presentation of the railway budget in February. These include decisions in respect of revision of running allowance, payments to staff as a result of the adjustment of the strike period in May 1974, with leave due, payment of additional dearness allowance and increase in steel prices. The recommendations of the railway workers' classification tribunal are also under finalisation. This too will involve some additional expenditure.

* *

As many as 2,300 blocks, out of a total of 5,004 in the country, are envisaged to be covered by the integrated rural development programme by the end of the current financial year. Of these 2,000 blocks will be out of those (nearly 3,000) in which three major development programmes, namely SFDA, DPAP and CAD; are already being implemented. The remaining 300 blocks are to be added under the phased scheme of taking up 300 blocks for intensive block level planning and development every year during the period of five years starting from the current year.

The former 2,000 blocks have already been identified in the various states—16 in Andhra Pradesh, 39 in Assam, 304 in Bihar, 96 in Gujarat, 39 in Haryana, 1 in Himachal Pradesh, 38 in Jammu and Kashmir, 85 in Karnataka, 45 in Kerala, 126 in Madhya Pradesh, 116 in Maharashtra, five in Manipur, seven in Meghalaya, 13 in Nagaland, 114 in Orissa, 46 in Punjab, 103 in Rajasthan, two in Sikkim, 113 in Tamil Nadu, seven in Tripura, 33 in Uttar Pradesh, 163 in West Bengal, three in the union territory of Delhi, seven in Goa, Daman and Diu and two in Pondicherry. They have been selected by the state governments in line with the following guidelines provided by the central government: (i) Each district presently covered by the SFDA, DPAP and the CAD programmes should be allotted integrated rural development blocks more or less on a pro rata basis according to the blocks in which the above programmes are in force; (ii) blocks with more than 20 per cent scheduled caste population should be covered first; (iii) higher incidence of unemployment and under-employment

might be kept in view in selecting the blocks if such figures are available; (iv) the potentiality for development and organisational work that has already been built up in the blocks; (v) low agricultural productivity; and (vi) low consumption level and the prepondrance of the people below in the poverty-line.

The additional 300 blocks to be taken up for intensive development every year during the five years to 1983-84 are to be selected on the following basis: (i) Those states where 40 per cent of the blocks are not covered under the programme of apportioning the above 2,000 blocks will be allocated the required number out of the additional 300 blocks in the quota for the current financial year to make up the deficit and to bring up to 40 per cent coverage; (ii) every district in the country which does not have any special programme will be allocated one block per year during the medium-term plan; (iii) further allocations will be made every year specially to ensure that all blocks in the country with more than 20 per cent scheduled castes population are covered by the programme during the current Plan period, preferably at the earliest, and (iv) the balance blocks will be distributed amongst the states on the basis of their rural population.

integrated programme

The new blocks to be taken up for development every year will be from those areas which are not covered by the three special programmes of SFDA, DPAP and CAD.

By the end of the current Plan period, 3,000 blocks will be covered by the integrated rural development programme. The remaining blocks are proposed to be brought within the purview of the scheme during the next Plan period with a view to achieving full employment in rural areas in the declared time-frame of ten years.

The integrated rural development programme will cover:

1. Programmes of agricultural development, including efficient utilisation of land and water resources with scientific technology available;

2. Programmes of animal husbandry as a subsidiary occupation mainly directed to small peasant households and agricultural labour households so as to maximise utilisation of by-product in the farm and, at the same time, aiming at commercial production of animal husbandry products—the necessary infrastructure for commercialisation would be inbuilt in the programme;

3. Programmes of inland water and brackish water fisheries to maximise output to fish per unit of water and develop as an important occupation for the fishermen classes and such other backward classes in the economy;

4. Programmes of marine fishery, including harvesting of natural resources through trawlers, mechanised boats and country boats, keeping in view the need to maximise employment of the poorer sections of the fishermen population and preventing unhealthy competition between the three sectors to the detriment of the poorer classes;

5. Programmes of social forestry to provide a base for fuel and fodder in the economy and with special earmarking of usefruct for the poor sections of the community for exploitation as an occupation or as fodder for an animal husbandry programme—tasar, eri and muga and lac rearing by the poorer sections should be inbuilt into the programme;

6. Programmes of farm forestry through the small peasant households as a subsidiary income and also for maximising the use of land;

7. Village and cottage industries including handlooms, sericulture, beerearing, etc., as a full or part-time occupation to the artisan classes of the rural population;

8. Development programmes for service sectors of the rural economy as self-employment sectors for the poorer families both as a means of providing for a felt-want in the economy and as a means of better livelihood to the poorer sections; and

9. Labour programmes of skill formation and labour mobility to meet the needs of organised labour for development works and of the nature of employment guarantee programmes where necessary.

* *

In its report to the government last week, the Sachar Committee has suggested wide-ranging changes in the Companies Act and the Monopolies and Restrictive Trade Practices (MRTP) Act so as to make them effective for achieving the desired socio-economic objectives.

In regard to the MRTP Act, the committee has recommended enlargement of the coverage to bring under the purview of the Act unfair trade practices also. The committee has found no justification for exempting newspapers and government undertakings from the provisions of this Act relating to control and prohibition of monopolistic, restrictive and unfair trade practices. Another significant suggestion of the committee is that the criterion for determining the dominance of a company should be reduced from one-third of the market share to one-fourth. The committee has not suggested any change in the existing criterion of Rs 20 crores as value of assets for the applicability of the provisions of chapter III of the MRTP Act.

"unlimited" companies

In regard to the Companies Act, the committee has expressed the view that the class of "unlimited companies" should be abolished and the existing "unlimited companies" should be asked to convert themselves into limited companies. Guarantee companies, the committee has suggested, should be allowed to be formed only as public limited companies in future.

The committee has suggested that a private company, as defined in section 3 (1) (III) of the Act, should be prohibited from accepting deposits or borrowing from the public, except from its own directors, shareholders and their relatives. It should also be prohibited from borrowing long-term loans of more than three years from public financial institutions in excess of Rs 3 lakhs.

The committee has made a number of recommendations to promote professionalisation of management and workers' participation in company boards, to protect shareholders' rights and interests and to safeguard the interests of public depositors.

It has refrained from making any specific recommendations regarding managerial and executive remuneration since, it feels, the government is in the process of determining an integrated policy on the basis of the report of the Bhoothalingam Committee. (See details in the Records and Statistics section).

MRTP Commission at work : an analysis

P. K. Ahuja

The author, who is Director (Research) in the Monopolies and Restrictive Trade Practices Commission, but whose views do not represent the views of the commission or the government, has analysed the working of the commission over the years from its inception and come to the conclusion that though the government has taken decisons in a large number of cases without detailed enquires by the MRTP Commission, the growth of large houses generally coincided with the requirements of public interest. He also believes that had the commission enquired into these cases the growth of large houses would not have been in a greater check than it is now. The article is of topical interest in view of the recommendations made by the Sachar Committee on Companies and MRTP Acts, a summary of which appears in Records and Statistics section in this issue.

THE MONOPOLIES and Restrictive Trade Practices (MRTP) Act (hereafter referred to as the act) concerns itself with the growth of two types of undertakings which are required to be registered under the act—those whose assets, along with assets of their interconnected undertakings, exceed Rs 20 crores (representing country concentration) and those which, along with their interconnected undertakings, share more than one-third of supply of a product in the country, even though their assets may be as low as Rs one crore (representing product concentration). The act (sections 21, 22 and 23) requires that growth of such undertakings shall take place only after the individual growth proposals have been approved by the government under the act. The growth of an undertaking for this purpose includes expansion of its existing capacity for an item, diversification of its activities with a view to entering a new product line, acquisition of other undertakings and amalgamation with other undertakings.

The act also provides that the government will approve only such growth proposals which are not likely to lead to the concentration of economic power to the common detriment, or which are not likely to be prejudicial to the public interest. In this context, the act requires that if the government is not able to decide on a proposal without further enquiry, it may refer the proposal to the MRTP Commission (hereafter referred to as the commission) for enquiry and report, to enable it to take decision on the proposal.

The act became effective on June 1, 1970. The commission was constituted on August 6, 1970. The first growth proposal was referred by the government to the commission on January 29, 1971. Till the end of December, 1976, the government had received 873 growth applications from the registered undertakings under sections 21-23 of the act. Of these, only 59 applications, representing 6.7 per cent of the total, were referred to the commission for enquiry and report. No proposal was referred to the commission during the year, 1977; and only one proposal has been referred to the commission so far during 1978 (up to September). Details of the 60 applications referred to the commission till date are contained in Table I.

POINT OF VIEW

Of the 60 applications referred to the commission so far, 32 applications were under section 21 of the act, by which the applicants proposed to expand their existing capacities or to diversify their activities to manufacture new items, without establishment of new companies for the propose. Twenty-one applications were received under section 22 of the act, by which the applicants proposed to undertake the above referred activities by setting up new interconnected undertakings. The remaining seven applications were received under section 23 of the act which deals with merger and acquisition proposals.

the references

Of the 60 references made to the commission for enquiry, Birla companies accounted for the largest number (nine references), followed by Sarabhai companies (five references) and Kasturbai-Lalbhai companies (four references). These references were made in bunches. Of the nine references of the Birla companies, seven were made in the year 1971, followed by one each in the next two years. All the five references on Sarabhai companies were made in the year 1972 and all the four of Kasturbhai-Lalbhai companies in the year 1973. The largest 25 houses accounted for 37 of the references, whereas the remaining 23 references were in regard to the smaller houses and a few individual undertakings. However, applications of not all the first 25 large houses were referred to the commission. The notable houses, none of whose applications were referred to the commission, are Mafatlal, Scindia, Kirloskar, ACC, Walchand, ITC and Mahendra & Mahendra.

Out of 60 references received by the commission, it could submit reports only in case of 42 proposals, as it could not proceed with the enquiries in regard to the remaining 18 proposals. Fifteen of the proposals were withdrawn by the applicants after government referred them to

the commission for enquiry. Two proposals could not be proceeded with, because the applicants were deregistered under the provisions of the MRTP Act after having submitted the applications. In one case (Modipon), the enquiry was stayed as the applicant filed a writ in a high court against the reference to the commission. It is worth noting that of the 15 proposals withdrawn by the applicants after they were referred to the commission, Birla companies accounted for as many as five (Table II).

Of the 42 reports submitted by the commission to the government, the commission recommended approval of 34 proposals, subject to certain conditions, and recommended rejection of the remaining eight proposals. All these eight recommendations for rejections related to eight different large-houses. Of the four Birla

TABLE I

Applications Referred by the Government to the MRTP Commission during 1971-1978 (Sept) for Enquiry and Report

Sl. No. according to the position in the 70 large houses as per *Economic Times* of 30-6-78	Company	Industry	Expansion or diversification	Year of reference	Govt. decision
1	2	3	4	5	6
Large House					
1. Tata	1. Telco	Vehicles	Expansion	1971	Approved
2. Birla	2. Gwalior Rayon	Chemicals	-do-	1971	Withdrawn
	3. Gwalior Rayon	Paper	Diversification	1971	-do-
	4. Century Spinning	Glass fibre items	-do-	1972	-do-
	5. India Linoleum	Linoleum	Expansion	1971	-do-
	6. Hindalco	Aluminium	-do-	1971	-do-
	7. Kesoram Inds.	Cement	Diversification	1971	Approved
	8. Birla Jute	Cement	-do-	1973	-do-
	9. Century	Wood pulp	-do-	1971	-do-
	10. Hindalco	Chemicals	-do-	1971	Rejected
4. J.K. Singhania	11. M.P. Ind. Corp. Ltd.	Amalgamation		1971	-do
5. Thapar	12. Karamchand Thapar Bros.	Acquisition		1972	Approved
	13. Balarpur	Chemicals	Diversification	1975	-do-
	14. Karamchand Thapar Bros.	Mining	-do-	1974	Withdrawn
8. ICI	15. Indian Explosives	Explosives	Expansion	1975	Rejected
9. Bangur	16. Maharaja Shri Umaid Mills	Explosives	Diversification	1976	-do-
10. Shriram	17. DCM	Refractories	-do-	1974	Withdrawn
	18. DCM	Castings	-do-	1971	Approved
13. Larsen & Toubro	19. Larsen & Toubro	Merger		1971	-do-
	20. -do-	Acquisition		1972	-do-
15. Khatau (Bombay)	21. Neesha & Co	Engineering	Diversification	1971	Rejected
18. Modi	22. Modipon Ltd	Tyre cord	-do-	1974	Stayed by High Court
20. Sarabhai	23. Sarabhai (Sons) P. Ltd	Amalgamation		1972	Withdrawn
	24. Telerad	Electronic components	Diversification	1972	-do-
	25. Telerad	Record players	-do-	1272	Approved
	26. Telerad	Tape recorders	-do-	1972	-do-
	27. Systronics	Electro photocopying machine	-do-	1972	-do-
21. Bajaj	28. Bajaj Auto	Scooters	Expansion	1971	-do-

—Contd.

1	2	3	4	5	6
22. Kasturbhai Lalbhai	29. Atul Products	Lysine (ch)	Diversification	1973	Withdrawn
	30. -do-	Chemicals	-do-	1973	Approved
	31. -do-	-do-	-do-	1973	-do-
	32. Anil Starch	Starch speciality products	-do-	1973	*Rejected
23. Hindustan Lever	33. Hindustan Lever	Chemicals	-do-	1973	Approved
24. TVS Iyengar	34. Lucas TVS	Amalgamation		1973	Withdrawn
	35. -do-	Auto ancillaries	Expansion	1971	Approved
	36. TVS Iyengar	Friction machinery	Diversification	1971	-do-
25. Macneil Magor	37. Macneil & Berry	Share acquisition		1972	-do-
27. Dunlop	38. Dunlop India Ltd	Industrial belting	Expansion	1971	Approved
37. Chowgule	39. Chowgule & Co P. Ltd	Industrial explosives	Diversification	1976	-do-
	40. -do-	Salt	-do-	1971	-do-
39. Rallis	41. Rallis India	Chemicals	-do-	1974	-do-
40. Philips	42. Philips India	Electo medical equipment	-do-	1974	Rejected
	43. Philips India	GLS lamps	Expansion	1975	*Rejected
41. Simpson	44. India Piston Ltd	Auto ancillaries	-do-	1973	Approved
43. Escorts	45. Escorts Ltd	-do-	Diversification	1974	Withdrawn
45. Kamani	46. Kamani Tubes	Cables	Expansion	1972	*Rejected
56. Shri Ambica	47. Shri Ambica Mills	Chemicals	Diversification	1973	Withdrawn
	48. -do-	Chemicals	-do-	1975	Approved
59. Murugappa Chettiar	49. Carborundum Universal	Grinding wheels	Expansion	1971	-do-
69. Swedish Match	50. WIMCO	Ind. explosives	Diversification	1976	Rejected
	51. Vulcan Laval	Tobacco machinery	-do-	1978	Decision awaited
	Individual undertakings				
	52. Grindwell Abrasive Ltd	Grinding wheels	Expansion	1971	Deregistered
	53. Vidyut Metallics	Blades	-do-	1971	Rejected
	54. Mettur Chemical & Ind Corp	Chemicals	Diversification	1971	Approved
	55. Automobile Products of India Ltd	Scooters	Expansion	1971	-do-
	56. Cellulose Products of India Ltd	Chemicals	-do-	1971	Deregistered
	57. J. Stones India Ltd	Engineering (Pumps)	Diversification	1973	Withdrawn
	58. Gabriel India Ltd	Shock absorbers	Expansion	1973	Approved
	59. Chloride India Ltd	Storage batteries	-do-	1975	Withdrawn
	60. Alta Laboratories (P) Ltd	Drugs	-do-	1976	Approved

*Recommended approval by the commission but rejected by the government.

Source: First Six Annual Reports on the execution of the MRTP Act upto 1976, and press releases for the subsequent references.

was recommended for rejection. Other large-houses whose applications were recommended for rejection (one each) are J.K. Singhania, Bangur, ICI, Khatau, Philips and Swedish Match. Three of the rejections were in respect of the proposals for manufacture of industrial explosives—of the four such applications referred by the government to the commission almost simultaneously the commission recommended approval of one (Chowgule) and rejection of the remaining three. Of the remaining five recommendations for rejection, one proposal was for amalgamation of two companies and remaining four for engineering and intermediate items.

government's agreement

The government agreed with all the recommendations of the commission where the commission had recommended rejection of the proposals. However, of 34 recommendations by the commission regarding approval of the proposals, government approved 30 but rejected three proposals (decision on one is still pending). These three proposals which were rejected by the government contrary to the commission's recommendations are :

(i) Proposal of Anil Starch Products Ltd (Kasturbhai Lalbhai) to set up a new private limited company to manufacture speciality starch products in collaboration with a US company. The commission had recommended approval of the proposal subject to 40 per cent export obligation, foreign equity participation not in excess of 40 per cent, and creation of a foreign dividend reserve fund for payment of dividends to the foreign share holders. The government, however, rejected the proposal on various counts: speciality starches are not of a high priority in the core sector; foreign collaboration in this field was not justified and the applicant was not willing to bring down the foreign equity participation below 40 per cent; the export obligation in this field, which is normally not open to large-houses, should be at least 60 per cent, which the applicant company was not willing to accept; the proposal would benefit the foreign multinational corporation far more than the country's economy; the proposal would increase the dominance of the applicant company which might affect adversely the other manufacturers; the proposed production was based on maize which was a food item and the applicant company was not able to use tapioca in place of maize, and according to the CSIR, there was a good deal of competence for process development within the country and the foreign collaboration was uncalled for.

(ii) Proposal from Philips India Ltd for expansion of capacity for production of GLS lamps and FT lamps. The commission had recommended approval of the proposal subject to certain conditions. The government, however, rejected the proposal on the ground that the item of manufacture was not open to large-houses/foreign majority companies, and the applicant company was reluctant to accept the export condition unequivocally as proposed by the government. Rejection was also on account of the fact that the applicant company was illegally manufacturing lamps far in excess of its licensed capacity, that there was no scope for creation of fresh capacity in the field and that the small-scale manufacturers of lamps in the country would be starved of essential lamp components supplied by the applicant company, in case the latter was allowed expansion in capacity lead-

TABLE II

Disposal of References by MRTPC—1971-78 (*September*)

Large house	Year	No. of references: Received	Withdrawn/ not proceeded with	Recommended for approval	Recommended for rejection
I. More than one proposal referred:					
1. Birla	1971-73	9	5	3	1
2. Sarabhai	1972	5	2	3	—
3. Kasturbhai Lalbhai	1973	4	1	3*	—
4. Thapar	1972-75	3	1	2	—
5. T.V.S. Iyenger	1971-73	3	1	2	—
6. Shriram	1971-74	2	1	1	—
7. Larsen & Toubro	1971-72	2	—	2	—
8. Chowgule	1975-76	2	—	2	—
9. Philips	1974-75	2	—	1*	1
10. Shri Ambica	1973-75	2	1	1	—
11. Swedish Match	1976-78	2	—	1	1
II. One proposal each but the applicant is within first 25 large houses:					
1. Tata	1971	1	—	1	—
2. J.K. Singhania	1971	1	—	—	1
3. ICI	1975	1	—	—	1
4. Bangur	1976	1	—	—	1
5. Khatau	1971	1	—	—	1
6. Modi	1974	1	1	—	—
7. Bajaj	1971	1	—	1	—
8. Hindustan Lever	1973	1	—	1	—
9. Macneill Magor	1972	1	—	1	—
III. Other single reference one from each house		15	5	9*	1
Total		60	18	34	8

*One each of these rejected by government

ing to increased captive consumption of such component parts.

(iii) A proposal from Kamani Tubes Private Ltd to acquire assets of Pyrotenax India Ltd and to substantially expand the latter's capacity for manufacture of cables. The commission recommended approval of the proposal subject to conditions that the applicant company would convert itself into a public limited company and would broad-base its ownership by issuing fresh equity to public financial institutions and to the persons who were not the existing shareholders of the company. However it turned out that the applicant company was not willing to accept these conditions, and accordingly the proposal was rejected by the government.

It seems that the government has been more conservative in approving proposals than the commission; whereas the commission has recommended rejection of 19 per cent of the proposals enquired into by it, government has rejected 25 per cent of the proposals on which it passed orders by December, 1977, as may be seen in Table III. Rejection percentage by the government in new proposals received by it is in fact still higher, as quite a few of the approval orders by the government relate to change in pattern of finance of the proposals approved earlier.

The orders passed by the government generally indicate the reasons why the proposal has been approved or rejected. An analysis of the reasons shows that the applications have been approved by the government on account of various factors specially: (i) Scope for setting up additional capacity; (ii) location in backward area; (iii) export potential, or import substitution; (iv) captive use; (v) availability of by-product or recycling of waste: (vi) experience in marketing of the product; (vii) to break the existing monopoly; (viii) the proposed use of sophisticated technology; and (ix) the project being in the joint sector. In certain cases the proposals have been approved with an export obligation. Out of the 53 new proposals approved by the government during 1977, nine proposals were approved during the year with export obligations as shown in Table IV.

TABLE IV
Proposals with Export Obligations during 1977

Applicant	Product	Export obligation
1. Konkan Fisheries (Chowgule)	Marine products	100% for 10-15 years
2. WIMCO (Swedish Match)	Chemicals	100% for 10 years
3. Tata Sons (Tata)	Computers	95% for 5-10 years
4. Godrej & Boyce (Godrej)	Hand tools	75% for 10-15 years
5. Kishco Cutlery (S.P. Jain)	Cutlery	75% for 5-10 years
6. J.K. Steel (JK)	Steel tyre cord/Wire	60% in first 3 years to 90% during 5-10 years
7. Stewards & Lloyds (Tata)	Pipe fittings	60% for 5-10 years for one item
8. Cable Corporation (Khatau)	Silicon carbide	60% for 5-10 years
9. Fashion Prints (Khatau)	Surface grinders	30% for 5-10 years

Source: Copies of orders as published by the department of Company Affairs in its monthly journal.

The reasons given for rejection of the applications have generally been that there is no further scope for additional capacity in the country, or in the region where the unit is to be located; or that the item is not open to the large-houses in the absence of substantial export obligation. Besides, some of the proposals were rejected during 1977 due to the reasons that: (i) The project involved only assembly of components; or (ii) it involved foreign technology; or (iii) the item was power intensive and there was shortage of power; or (iv) the capacity for the product was proposed to be set up in the public sector. In the cases of proposals which have been rejected after enquiry by the commission, certain additional factors for rejection have also been mentioned including dominance of the applicant in the field, its past behaviour in supplying and marketing the product and lack of experience in the field.

The act provides that the commission should submit reports to the government within three months of receipt of a reference. It seems that the commission generally has taken much longer time. Of 42 reports submitted by it so far, only five were submitted within the stipulated

TABLE III
Decisions on the Proposals

Year in which order passed by government	Orders by government			Recommendations by commission		
	Approved	Rejected	Percentage of proposals rejected	Approve	Reject	Percentage of recommendations for rejection
1971	54	9	14.3	3	2	40
1972	50	2	3.8	6	—	0
1973	65	22	25.3	5	1	16
1974	64	22	25.9	7*	1	12
1975	55	26	32.1	3	1	25
1976	63	41	39.4	6**	—	0
1977	73	21	22.3	2	3	60
1978				2	—	0
	423	143	25.3	34	8	19

*One of the proposals rejected by the government.
**Two of the proposals rejected by the government

time, while three reports were submitted after a lapse of more than 12 months. Frequency distribution as contained in Table V shows that generally the commission has taken 3-8 months to complete its enquiry, the mode being five months. The government, however, seems to be taking still longer time to give its decision. The act requires that the government shall decide on the proposal within two months of the receipt of report from the commission. It was only in case of two proposals on which the government could stick to this schedule. In as many as 11 cases, government took more than 12 months to take a decision, even when detailed enquiry reports of the commission were in its hands.

TABLE V

Time taken by Government/Commission

Time taken	Submission of reports by the commission	Passing of orders by govt after receipt of commission reports
Within 1 month	—	1
1-2 months	—	1
2-3	5	3
3-4	6	—
4-5	10	1
5-6	4	3
6-7	5	5
7-8	5	4
8-9	2	3
9-10	1	4
10-11	1	4
11-12	—	1
Above 12 months	3	11
Orders pending	—	1
Total	42	42

Year to year references by government to the commission are shown in Table VI.

It would be noted that the number of references to the commission have declined almost every year. In terms of percentage of applications received, the references to the commission declined from 10 per cent during 1971 to 4.5 per cent in 1976. The references were completely stopped during the year 1977, when not a single application was referred to the commission.

The commission has naturally felt concerned at the above trend. Right in its

TABLE VI

Applications received by Government under Sections 21-23 of the Act and Applications Referred to the Commission

	Applications received by government	Applications referred to commission	Proportion of applications referred (per cent)
1970-1971	220	22	10.0
1972	161	10	6.2
1973	126	11	8.7
1974	162	7	4.3
1975	115	5	4.3
1976	89	4	4.5
1977	*	—	0.0
1978 (upto Sept.)	*	1	
Total	873	60	6.9

*Not yet available

Source: Annual Reports on Execution of MRTP Act.

Second Annual Administrative Report (for the year 1972) it observed that "a number of cases of large magnitude and importance to the economy were decided by the central government without reference to the commission," and that "sometimes cases not involving any major issues are referred, while others which would involve important considerations are not so referred." The commission, therefore, suggested that clear guidelines might be laid down by the government regarding the cases to be referred to the commission and those to be decided otherwise. The commission also noted certain instances in support of its observations. It referred to two applications from Birla group of companies for setting up cement production units which were referred to the commission, whereas cases from other large houses for cement units were decided by the government without such a reference. Similarly applications of Telerad for manufacture of taperecorders, record players etc were referred to the commission, whereas similar capacities were approved by the government for JK and Philips without any reference to the commission.

As a rejoinder to the commission's observations, the government remarked in the third annual report on the execution of the MRTP Act (for the year 1973) that references to the commission were not mandatory and the enquiries by the commission were required only where it was felt by the government that facts and factors necessary to decide on the proposal were not available, or some issue merited further examination. This remark was supplemented in the fourth annual report of the government on the implementation of the MRTP Act by an observation that "one of the reasons for the decreasing number of applications referred to the commission for enquiry and report is that the private sector is now fully aware of the policy of the central government in the matter of industrial licensing and the criteria laid down in section 28 of the MRTP Act, 1969 with the result that these undertakings submitted applications complete in all respects giving all the necessary data to enable the central government itself to make a decision thereon on merits."

MRTPC reconciles

The subsequent annual reports of the commission seem to suggest that the commission has reconciled itself to the government policy of taking decisions on the applications for growth by large houses without enquiry by the commission. In its annual administrative report for 1975, the commission commented that it appeared that "the commission will have very little role to play in the matter of checking of the concentration of economic power as it can enquire into only such cases which are referred to it by the central government and such references are going to be very few in future in view of the position mentioned by the government." In the next year's report the commission noted that "the commission in the year under report had necessarily to confine its activities mainly to restrictive trade practices enquiries in view of the fact that its advisory work under chapter III was tapering of."

Importance given by the government to

enquiries by the commission has been analysed with reference to the orders passed by the government during the year 1977 on growth proposals of the large houses, copies of which have been published by the department of Company Affairs in its monthly journal "Company News and Notes". Ninety-four such orders were passed by the government during the year. Of these, 20 orders related to the amendments to the earlier orders as a result of requests received from the parties concerned generally for revision in the pattern of finance. The remaining 74 orders related to the new growth proposals. Fifty-three of these proposals were approved and 21 were rejected by the government. Of these 74 orders, only five were based on enqiries undertaken by the commission and the remaining 69 decisions were taken without any such enquiry. Of the five enquiries made by the commission, four related to applications received from different parties for setting up of new undertakings for manufacture of industrial explosives, which in fact meant only one enquiry by the commission. The fifth enquiry related to production of certain chemical items by Shri Ambica.

commission sidetracked

Details of the orders passed by the government during 1977 on growth proposals may be seen in Table VII (Pp. 471-72). It would be noted that 10 of the proposals were from Birla companies and another six from the Tata companies. None of these were referred to the commission for enquiry. Another 9 proposals were from the companies belonging to the two houses of J.K. Singhania and Thapar. None of these too were enquired into by the commission. The largest house which was enquired into by the commission was ICI which is number eight according to the value of assets of large houses (as published in the *Economic Times* of 30.6.1978); other four large houses whose proposals were investigated into by the commission, were Bangur, Chowgule, Shri Ambica and WIMCO. Not only had the commission enquired into the proposals by certain large houses which are not really very important from the point of view of concentration of economic power, but the enquiries also related to the projects which were generally small. The largest project enquired into was that of Indian Explosives Ltd (ICI) with an estimated project cost of Rs 13.5 crores; costs of the other four projects ranged between Rs 2.4 crores and Rs 12.6 crores. On the other hand, government took decisions without enquiry by the commission on certain very large projects of vital importance. One proposal (by Birlas) for setting up of an export oriented aluminium plant with a project cost of Rs 450 crores was rejected. Another two Birla proposals (India Steamship) for purchase of ships worth Rs 71 crores were approved by the government. Another such proposal which was approved by the government was from Ganges Manufacturing Co (J.K. Singhania) for manufacture of wood pulp/rayon with a project cost of Rs 30 crores. Similarly the government passed orders on six other proposals, two from Birlas and one each from Thapar, Parry, Indalco and JK Singhania, each with a project cost in excess of the largest project enquired into

TABLE VIII

Proposals Decided by Government during 1977 Under Sections 21, 22 & 23 of the MRTP Act

Large House	Approved		Rejected	
	No of proposals	Cost of projects	No of proposals	Cost of projects
1. Birla	5	73.60	5	483.13
2. Tata	5	29 64	1	0.004
3. J.K. Singhania	6	64.15	—	—
4. Thapar	3	20.96	—	—
5. Parry	2	14.64	—	—
6. Salgaocar	3	10.99	—	—
7. Khatau	3	6.70	—	—
8. Simpson	1	7.48	—	—
9. Shri Ambica	1	5.26	—	—
	(1)	(5.26)	—	—
10. Shriram	4	4.93	—	—
11. Modi	1	3.85	—	—
12. Shaw Wallace	1	3.25	1	0.32
13. Chowgule	2	2.54	1	1.77
	(1)	(2.40)		
14. Murugappa Chettiar	1	2.35	—	—
15. Swedish Match	2	2.00	1	3.44
			(1)	(3.44)
16. Sahu Jain	1	0.18	2	3.18
17. INDALCO	1	18.52	—	—
18. Garware Nylon	1	9.00	—	—
19. ICI	—	—	3	16.74
			(1)	(13.50)
20. Bengur	—	—	1	12.60
			(1)	(12.60)
21. Rallis	—	—	2	3.20
22. GEC	—	—	1	1.44
23. Others	10	4.93	3	2.75
Total	53	284.97	21	528.57
	(2)	(7.66)	(3)	(29.54)

Note: Figures in brackets relate to proposals which were enquired into by the commission.

TABLE VII

Orders Passed by the Government During 1977 Under Sections 21, 22 and 23 of the MRTP Act, 1969

Large house	Applicant company	Diversification, expansion or acquisition/ merger	Industry	Project cost (Rs lakhs)	Approved/ Rejected
(1)	(2)	(3)	(4)	(5)	t6)
1. Birla	1. Mysore Cement	Div	Asbestos sheets	90	Approved
	2. Mysore Cement	Exp	Cement	1,32	Approved
	3. India Steamship	Exp	Shipping	59,73	Approved
	4. India Steamship	Exp	Shipping	11,45	Approved
	5. Air Conditioning Corp	Div	Air pollution control equipment	20	Approved
	6. Gwalior Rayon	Captive	Caustic soda/Chlorine	14,00	Rejected
	7. Gwalior Rayon	Div	Ferrous castings	4,07	Rejected
	8. Hindalco	Div	Aluminium rods	56	Rejected
	9. Hindalco	Captive	Caustic soda/Chlorine/ Hydro chloric acid	14,50	Rejected
	10. Hindalco	Exp	Aluminium	450,00	Rejected
2. Tata	11. Tata Chemicals	Exp	Salt/Gypsum	2,00	Approved
	12. Tata Chemicals	Exp	Shipping	8,83	Approved
	13. Tata Sons	Div	Computors	7,10	Approved
	14. Stewarts & Lloyds	Div	Pipe fittings	21	Approved
	15. Tata Finlay	Take over	Tea estate	11,50	Approved
	16. Forbes Forbes Campbell	Div	Computors	(0.4)	Rejected
3. J.K. Singhania	17. J.K. Synthetics	Div	Chemicals (DMT)	2,50	Approved
	18. J.K. Chemicals	Div	Carbon black	6,50	Approved
	19. Ganges Mfg	Div	Wood/Pulp/Rayon	30,00	Approved
	20. Raymond Woollens	Div	Cement	18,50	Approved
	21. J.K. Steel	Div	Steel tyrecord/Wire	6,65	Approved
	22. Straw Products	Amalgamation	—	—	Approved
4. Thapar	23. Karamchand Thapar	Div	Asbestos ore	1,45	Approved
	24. Ballarpur Industries	Div	Sack craft paper	17,00	Approved
	25. Crompton Greaves	Exp	Circuit brakers	2,51	Approved
5. I.C.I.	26. Ciba Geigy	Div	Chemicals	2,20	Rejected
	27. Ciba Geigy	Div	Pesticides	1,04	Rejected
	28. *Indian Explosives	Exp	Explosives	13,50	Rejected
6. Bangur	29. *Maharaja Umaid Mills	Div	Explosives	12,60	Rejected
7. Shriram	30. DCM	Div	Computors	20	Approved
	31. DCM	Div	Computors	6	Approved
	32. DCM	Div	Computors	17	Approved
	33. Shriram Bearing	Div	Pesticides	4,50	Approved
8. Larsen Toubro	34. Audco India	Div	Valves	35	Approved
9. Khaitau	35. Fashion Prin's	Div	Surface grinders	60	Approved
	36. Cable Corporation	Div	Silicon carbide	6,00	Approved
	37. Siemens India	Div	Railway signal equipment	10	Approved
10. Modi	38. Modipon	Div	Soyabean products	3,85	Approved
11. Mahindra & Mahindra	39. Mahindra & Mahindra	Amalgamation	Tractors	—	Approved
12. Kasturbhai Lalbhai	40. Atul Products	Div	Chemicals	7	Approved

—Contd.

(1)	(2)	(3)	(4)	(5)	(6)
13. TVS Iyenger	41. Brakes India	Div	Castings	1,15	Approved
14. Macneil Magor	42. Macneil Magor	Div	Photo copying machines	40	Rejected
15. Parry	43. EID Parry	Div	Specialised tools	63	Approved
	44. EID Parry	Div	Drugs	14,01	Approved
16. Godrej	45. Godrej & Boyce	Div	Hand tools	1,30	Approved
17. Chowgule	46. *Chowgule & Co	Div	Explosives/Marine products	2,40	Approved
	47. Konkan Fisheries	Div	Marine products	14	Approved
	48. Kolhapur Oxygen & Acetylene	Take over	Gases	1,77	Rejected
18. Rallis	49. Rallis India	Div	Pesticides	1,50	Rejected
	50. Rallis India	Div	Pesticides	1,70	Rejected
19. Philips	51. Philips India	Div	Electronic measuring system	12	Approved
20. Simpson	52. Simpson & Co	Div	Castings	7,48	Approved
21. GEC	53. GEC	Div	Mica paper	1,44	Rejected
22. Salgaocar	54. Salgaocar Shipping	Exp	Shipping	4,79	Approved
	55. Tungabhadra Minerals	Exp	High density ore blending	89	Approved
	56. Macnezie & Co	Exp	Shipping	5,31	Approved
23. Shri Ambica	57. *Shri Ambica	Div	Chemicals	5,26	Approved
24. Kilachand	58. Polychem Ltd	Div	Process control instruments	85	Rejected
25. Murugappa Chattiar	59. Carborundum Universal	Div	Refractory grains	2,35	Approved
26. Shaw Wallace	60. Shaw Wallace	Div	Pesticides	3,25	Approved
	61. Shaw Wallace	Div	Synthetic adhesives	32	Rejected
27. S.P. Jain	62. Dharangandhra Chemicals	Div	Chemicals	25	Approved
	63. Kishco Cutlery	Exp	Cutlery	6	Approved
28. Goenka	64. Duncan Agro Ltd	Acquisition	Cigarettes	80	Approved
29. Sahu Jain	65. Rohtas Industries	Div	Oxygen gas	18	Approved
	66. Rohtas Industries	Div	Chemicals	42	Rejected
	67. Rohtas Industries	Div	Condenser paper	2,76	Rejected
30. Swedish Match	68. WIMCO	Div	Chemicals	1,45	Approved
	69. WIMCO	Div	Chemicals	55	Approved
	70. *WIMCO	Div	Industrial explosives	3,44	Rejected
31. SPIC	71. Southern Industries Corporation	Div	Elec. tools	83	Approved
32. Others	72 INDALCO	Div	Caustic soda	18,52	Approved
	73. Garware Nylon (not registered)	Div	Shipping	9.00	Approved
	74. Dalmia Dairy Industries (not registered)	Div	Rubber threads	1,50	Rejected

*Enquired into and reported by MRTP Commission.

Source : Copies of order as published in the "Company News and Notes" monthly journal of the department of Company Affairs.

by the commission, approving four and rejecting two (of Birlas).

As would be seen from Table VIII (p 470), project cost of the 53 proposals which were approved by the government during 1977 was Rs 285 crores. The five proposals of Birlas accounted for Rs 74 crores and six proposals of JK Singhania for Rs 64 crores. The projects of Tatas (5) and Thapar (3) accounted for Rs 30 crores and Rs 21 crores respectively. None of these proposals was enquired into by the commission before government decided to approve them. In fact, of the cost of Rs 285 crores of the approved projects, approvals based on the enquiries by the commission accounted for only Rs 7.7 crores or 2.7 per cent. Similarly the project cost of the three proposals which were rejected by the government on the basis of enquiries made by the commission was Rs 30 crores accounting for 5.6 per cent of the total project cost of Rs 529 crores of the 21 proposals rejected by the government during the year.

The analysis suggests that the government has taken decisions, without detailed enquiries by the commission, on very large projects of vital importance to the economy proposed to be set up by principal large houses in the country, in whose hands a sizable portion of non-government industrial assets are concentrated. It seems that government has been able to acquire data either from its various departments or from the applicants or from the objectors, which in its views are adequate to decide if the proposed growth of the large-houses would or would not be prejudicial to the public interest, or if such growth would or would not lead to concentration of economic power to the common detriment. It also seems that the growth of the large-houses would not have been in a greater check if all the major growth proposals were enquired into by the commission. If the commission's past recommendations are any guide, the commission has generally concluded from its enquiries, with few exceptions, that the growth of large-houses with certain conditions and safeguards, coincided with the requirements of the public interest and that such growth would not lead to the concentration of economic power to the common detriment.

Sick units and management consultancy

Sudarshan Lal

These are excerpts from the forthcoming book by the author 'How to Prevent Industrial Sickness', in which he describes the role of management consultancy in preventing sickness in industry and the functioning of the various consultancy agencies in the country both in the private and public sectors.

MANAGING AN enterprise is a complex task. If it is so, managing a sick enterprise would be far more complex. What a sick unit requires is the identification of its problems and their solution. Management of a sick unit may not possibly be well qualified to do it; if it were so, the unit may not have become sick. Thus it may consult a professional consultant, as a patient consults a specialist. According to one view, consultation and education are probably the most important influences behind the forward movement; and in certain respects consultation is even more important than education as it deals with 'live' problems. The professional consultant gives the benefit of his experience in solving similar problems many times for both small and large businesses, which the management of a sick unit cannot possess.

Simply speaking, a management consultant is a professional, trained and experinced in assisting managers to diagnose problems. These problems are usually associated with the goals, objectives, strategy, organisation, operation, procedural and technical aspects of business of different sizes. A management consultant also recommends to the owner or manager the most probable solution to such problems and assists him in implementing them.

A management consultant brings to the firm many values that cannot be obtained elsewhere. The first and the most important is objectivity. He is an independent body, impartial, with no personal interest and no personal loyalities. He is free from the traditions and pre-conceptions that may have grown in the business. Secondly, he has served many clients before and has dealt many times with situations that may confront the enterprise once in a while. A third value is the consultant's devotion of his full-time attention to one assignment, free from day-to-day operating responsibility. Finally, a consultant usually has well developed analytical skills. This enables him to find out the real problem and its underlying causes and symptoms.

If it is intended to hire a consultant, the user is ordinarily required to define exactly and in as precise terms as possible the services he wants from the consultant and discuss the same with a couple of them. In the case of a sick unit, the entrepreneur or the management may not be able to define his problems in precise terms except that the unit is sick; in this case a diagnostic study would be essential. In such cases, the consultant would indicate the general approach to be followed. He shall also state clearly whether implementation of the recommendations is to be included. He shall also furnish a firm estimate of the time and professional fees required to complete the assignment and the manner in which fee shall be paid. Before entering into a contract, the period for which the consultant firm has been in business and what its experience and background is should be taken into consideration. If it is possible to ascertain the reaction of the previous clients of the consultants, it would be useful.

Consultants in the private and non-private sector undertake consultancy of the nature described above. Consultancy in non-private sector could be better

either from business schools like institutes of management, Administrative Staff College of India, Small Industry Extension Training Institute or from technical consultancy organisations set up by IDBI, etc. or other agencies or those forming a part of the nationalised banks. A brief description about various consultants is given below.

Consultancy Firms/Consultants: Consultancy firms are numerous. They are independent consultancy firms, individual experts, consultancy firms associated with important houses, etc. Consultancy firms generally charge a fee varying from Rs 100 to Rs 500 a day. Before undertaking an assignment, they make a preliminary study of the enterprise to find out the nature and scope of benefits that can be derived from consultancy. Normally, consultants expect full payment before they part with the report.

The Small Industries Development Organisation has prepared a panel of private consultants. Entrepreneurs availing of the services of these consultants at a nominal fee of Rs 50 to Rs 100 per day are subsidised by the government up to 100 per cent of the cost of such services, if the enterprises are located in backward areas; in other cases subsidy is available up to 25 per cent of the cost.

the guidelines

The Indian Investment Centre, New Delhi, has recently published a booklet, entitled, 'Consultancy and Contract Engineering Organisations' as a guide for selection of consultancy firms/consultants. It also includes a list of consultants who have been appointed by Small Industries Development Organisation to render consultancy services to small-scale entrepreneurs. The Industrial Development Bank of India empanels the names of industrial consultants. For this purpose, it invites applications from industrial consultants, seeking information on the field of their specialisation, name and bio-data of their senior executives, important assignments completed/undertaken during the last one year and other relevant particulars. These applications are considered by the Inter-Institutional Committee for enlistment and if the name is approved, the consultant is asked to agree to abide by the code of ethics. Thereafter, his name is included in the Directory of Industrial Consultants. The duration of enlistment is one year.

Non-private Sector: There are many agencies in the non-private sector which provide consultancy to small/large scale industrial enterprises. These are Small Industries Development Organisation, technical consultancy organisations, business schools including institutes of national importance. These organisations are dealt in briefly as follows:

Small Industries Development Organisation—SIDO provides industrial extension service which includes technical assistance and management consultancy to small industries free of cost through small industries service institutes, branch institutes and extension centres spread throughout the country. This service is manned by over a thousand management and technical personnel, the latter include mechanical engineers, metallurgists, leather and footwear experts, chemical engineers, electrical engineers, glass and ceramic experts and those belonging to metal finishing, fruit preservation, etc.

Industrial and Technical Consultancy Organisations: These consultancy organisations have been sponsored by Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Ltd, Industrial Finance Corporation of India, state financial and other corporations of the respective states and the lead banks operating there. These organisations cater for the requirements of small and medium scale sectors in the respective states. They operate on commercial basis and their services are chargeable. The charges, however, are reasonable though these charges vary with the type of services rendered. So far these consultancy organisations have been established in eight states: Bihar, Kerala, Assam, Andhra, Orissa, UP, J & K and Himachal Pradesh.

Administrative Staff College of India (ASCI), Hyderabad—The Consulting and Applied Research Division (CARD) was set up in 1965. Before it undertakes an assignment, a preliminary diagnostic survey is conducted for identifying the problem areas and then a proposal is submitted for indepth study.

Council of Scientific and Industrial Research (CSIR) New Delhi—CSIR has set up 'Polytechnological Clinics' in Andhra Pradesh, Gujarat, Bihar, Madhya Pradesh, Kerala and Kanataka. The state (government and industry) and CSIR are sharing the cost which is not likely to be more than Rs 1.5 lakhs each year. Next on the list are Maharashtra, Tamil Nadu, West Bengal, Uttar Pradesh and Rajasthan. The polytechnological clinics bring together experts who can offer solutions to cure the 'sickness' of a firm or industry, besides its primary task of visiting industries to diagnose the problems and get them resolved at the expense of the sponsors.

Small Industry Extension Training (SIET) Institute, Hyderabad — SIET Institute was started in the year 1962 as a primary institution for training and research for the development of small industries. As a part of the training some consultancy work was attempted. From the year 1975, SIET has started a full-fledged consultancy division having expertise both in the technical and management fields. The consultancy is for setting up new industries, improving the productivity in existing industries, various diagnostic studies for sick units and their revival, modernisation, etc.

Other agencies which provide consultancy are: Indian Institute of Management, Tamil Nadu Industrial Investment Corporation Ltd. and Institute for Financial Management and Research both at Madras and National Industrial Development Corporation at New Delhi. NIDC has built up expertise for continuous monitoring of the health of industrial units as well as revival of sick units. These services involve designing and operation of management control and information systems tailored to the specific needs of the unit.

If the consultant is selected carefully, the problems are diagnosed properly and recommendations of the consultant are carried out, sick units can turn the corner. It must, however, be remembered that a consultant can only suggest solutions for solving the problems; but he cannot run the unit.

Behind the frenzied rallies in Wall Street

Sudhir Sen

New York

A buying panic seized Wall Street last month, the second time since April, when on August 4, the Dow Jones averages surged 32.14 points to reach 888.43. Speculation in options has grown by leaps and bounds, says the author, which has endowed Wall Street with major hall-marks of a gambling institution such as the Las Vegas casino.

FOR SEVERAL weeks Wall Street was lingering in summer doldrums—with stocks marking time or moving down, the Dow Jones industrial average nervously wavering around 830, and many analysts predicting that this leading index would decline to 800 level and might go down substantially lower in the coming months. Then came a veritable explosion as if out of the blue. In the week ended on August 4, this blue-chip index soared 32.14 points to 888.43.

Besides, the rise was accompanied by several remarkable facts, on a single-day (August 2), when everybody was practically caught unawares, this prestigious barometer blithely climbed 22.78 points; this was its biggest one-day advance in three-and-a-half years. On the following day, turnover surged to 66.37 shares, the highest one-day volume in the 200-year history of the New York stock exchange. The first-hour volume on that day was more than 20 million shares, which was another all-time record; and because of the heavy turnover, the ticker tape for some time ran as much as 22 minutes late, the longest lag since the tape was first installed.

Something similar had occurred in April. At a time when the market looked lifeless, when investors scrupulously stayed away from stocks, and the Dow Jones was floundering around 740 having given up some 150 points since president Carter moved into the White House, Wall Street was suddenly gripped by feverish activity. Prices surged and volume exploded. The 17th of April became a historic day when 63.5 million shares changed hands, establishing a new record for daily transactions. The rally that began abruptly carried the Dow to 866.51 on June 6. Then it faltered and steadily sagged; for several weeks thereafter, the index fluctuated within a band of 50 to 60 points, approaching the 800-level a few times, but managing each time to stay above it.

WINDOW ON THE WORLD

The surprising thing about the early-August upsurge is not only its suddenness, but also the fact that it occurred despite a number of negative factors that had plagued the market for some time, such as continued worries over inflation, rising interest rates, a still-declining dollar and the fear that the economy, already in the fourth year of its recovery, would soon slow down and might even slide into a new recession.

There is, of course, no shortage of explanations for the frantic spring and summer rallies, and, as usual, they also contain elements of truth. Since discounting the future is a normal function of the market, bad news can often be good for it, and vice versa. To a notable extent, this is what has recently happened and shrewd investors are trying to look across the valley to discern what lies beyond. So, even when interest rates are going up, they believe that they are at or close to their peak in the current business cycle. Similarly, though the dollar has been declining, they suspect that its bottom cannot be far off. And even if the economy weakens, they would, instead of worrying, rather welcome it because it would mean that both inflation and interest rates would soon begin to climb down.

guessing game

Meanwhile, the institutional investors, loaded with huge cash reserves, have been sitting on the sidelines, hawkishly watching the trends and trying to figure out the most auspicious moment to recommit their funds to common stocks. This guessing game about interest, inflation and the dollar has been going on for some time. And since, contrary to the prevailing view, the herd instinct is stronger among institutions than among individual investors—in any case, this certainly is the case today in America's investment community—they plunge into the market or withdraw from it simultaneously, thereby greatly aggravating the peaks and valleys in the market turnover.

To understand the full implications of this last point it is necessary to go several years back and see how radically Wall Street has changed under the impact of several disrupting forces. The watershed was August 15, 1971 when, on a Sunday evening in a television appearance, president Nixon announced to a stunned nation his threefold decision: to freeze prices and wages for three months; to end the dollar's convertibility into gold and to let it float freely to find its level in the currency

markets; and to clamp down a 10 per cent surcharge on all imports to narrow the trade deficit.

The first reaction of Wall Street was most favourable; the freeze, it was believed, would curb inflation while the floating dollar would attract fresh funds for investment; and the stock prices surged. But the euphoria did not last long. Just three weeks later, Mr Nixon announced that the freeze would end after mid-November without indicating what would follow next, and Wall Street promptly began to sag.

What followed next had a lethal effect for the market. The freeze was replaced by a system of wage-price control. From the stock market's angle, its most fateful feature was a continued dividend freeze, while interest rates were left completely free, to be determined by the so-called market forces which, in effect, meant by bankers. Meanwhile, the Federal Reserve Board, under a new Nixon-appointed chairman, Dr Arthur F. Burns, launched on an expansionary monetary policy which, cynics say, was intended largely to help Mr Nixon's re-election. The economy boomed; interest rates soared with the prime rate reaching a historic high of 10 per cent; most corporations found their per-share earnings significantly improved, but they were unable to raise their dividends. The inevitable result of this at a time when bonds and treasury bills were yielding eight to 10 per cent return was that the stock prices in general remained abnormally depressed.

one-decision stocks

In this particular situation the market developed, so to say, a kind of split personality. The big-capitalisation growth stocks, long favoured by the institutional investors now became a kind of fetish. They were naively labelled as "one-decision stocks." What they meant by this was that one could just go on buying and hoarding them indefinitely; there was no need to bother about their prices and earnings since both would continue to grow from year to year, nor about their yield when a handsome, year-to-year capital appreciation was assured.

Astonishing as it may seem, a great many institutions embraced this investment philosophy and routinely channelled their funds into a small number of selected growth stocks, the so-called "nifty-fifty" (e.g., IBM, Xerox, Eastman Kodak, Polaroid). As a result, the prices of these stocks sky-rocketed, their average price-earnings ratios soared 50-60, their yield remained negligible, mostly one to two per cent. The stock market was thus split into two—a top tier consisting of a limited number of big-name, big-capitalisation stocks into which institutional investors routinely poured billions of dollars and the second tier covering thousands of stocks which saw their market values shrinking steadily because of dwindling investor support.

The institutions mindlessly played their growth-stock game for about two years. Then came the nemesis, inevitable and traumatic. It began with the oil blow when the quadrupling of oil price shook the energy-intensive American economy to its foundations, pushing up costs and prices of goods, eating into corporate profits and creating an all-round climate of uncertainty. Tne top-tier began to topple, and stock prices receded hastily all along the line.

galloping inflation

The climax came when the oil crisis coincided with a food crisis, inflation soared to double-digit level and the Fed in panic brutally applied the monetary brakes which sent the interest rates rocketing also to a double-digit level with the prime rate shooting up to an incredible 12 per cent. The damage was now complete. Stock prices crashed with the Dow Jones sinking to 571. The great majority of stocks languished at a bargain-basement level, the lowest they had seen since the depression years of the 1930s.

The brunt of the blow had to be borne by the growth stocks which had proudly stood out so long in the market-place amidst the general wreckage. The institutional money managers had double reasons to look crest-fallen: The vaunted capital appreciation, they had confidently banked upon, turned into a colossal capital loss, and they could earn only a nominal dividend for their clients at a time when A-rated bonds yielded 10 per cent or more, which would double the capital in perfect safety within six to seven years. It was time for institutions to pay the wages of their past sins—to bail out of the "over-owned" growth stocks, to get back into cash and to diversify their portfolios. But this bailing-out process was no easy matter. A panicky rush for the exit had to be avoided at all cost if only to avert a further crash in prices in the absence of enough buyers. And so the dumping of the growth stocks was spread over time and adjusted to the market mood as best as possible. This long-drawn-out process was, by and large, completed only last spring.

exit small investor

Other market-distorting forces, important as they are in their cumulative impact, can only be briefly touched here. Individual investors, scared by the long sinking spell of stock prices, withdrew from the market and invested whatever capital they could salvage, in bonds, real estates and other tangible goods including gold. The number of stock market investors who, for years, had been assiduously wooed by the New York Stock Exchange and urged to buy stocks to own their "share of American capitalism", had climbed rapidly in the post-war years and reached 31 million in the early seventies, but thereafter it steadily declined, to about 25 million. Not long ago individual investors accounted for more than 50 per cent of the daily transactions in the stock exchanges; but their share has steadily shrunk, so that today institutions account for as much as 75 per cent of the daily turnover.

As the market became more and more institutionalised, the behaviour of the institutions grew more and more irrational. The most bizarre aberration they indulged in has already been noted—their veneration of the growth-stock fetish. And as they struggled to recover from its chastening effects, they suddenly swung to the other extreme and became "market-timers" and short-term traders rather than longer-term investors in stocks, which was supposed to be their normal function. This new craze was indirectly nourished by the Fed's policy which tilted excessively towards monetarium, causing sharp ups and downs in the interest rates which

in turn triggered waves of fresh "sell" or "buy" orders.

Three other factors contributed directly to the wide and at times wild, swings in the market. The system of fixed brokerage commission, which had been in existence for generations, was abolished with effect from May 1, 1975, when a new system of negotiated rates was introduced. This must, at least in hindsight, be considered as a retrograde step. The institutions, because of their financial muscles, got off with abnormally low commissions, "discounted" by as much as 60 to 75 per cent; brokers incurred heavy losses of incomes—they dolefully speak of the "black May day"—and sharply raised the commissions charge to individual investors while, as a cost-cutting measure, slashing the services traditionally rendered to them. The effect of all this was to drive, or keep, individuals away from the market, to give a fresh impetus towards its institutionalisation, and, perhaps worst of all, to feed the newly-acquired trading proclivity of the institutions since they could buy and sell in big volumes with much greater frequency since it cost them so little.

destabilising factor

A new destabilising factor of considerable magnitude was the sudden arrival and rapid expansion of the options market, which was welcomed as a new source of income to the brokerage houses caught in a profit squeeze. The result was that investors, institutions or individuals, no longer had to buy or sell stocks outright; instead, they could simply buy or sell the *rights* or *options*—through puts and calls at fluctuating market quotations and for fixed periods, usually of six months—to buy or sell the option-covered common stocks at predetermined prices. Speculation in options has grown by leaps and bounds, periodically triggering waves of up-and-down movements in the underlying stocks. And thereby it has endowed Wall Street, more than ever, with the major hall-marks of a gambling institution such as the Las Vegas casino.

Add to all this floating dollar with its wide fluctuations in the foreign exchange markets and the picture will be complete. This, too, has been responsible for abruptly causing heavy influx or exodus of investment funds into or out of the stock market.

The convergence of all these factors has changed Wall Street dramatically. Long regarded as the temple of America's free-enterprise capitalism, it has, in the process developed something singularly uncapitalistic: Stock prices no longer represent their underlying asset values: in countless cases they are lagging far behind their book values; compared with the replacement costs of the capital equipment, they are ridiculously low.

slow capital formation

This explains why of late there has been a spate of takeovers of US companies by outsiders, especially by leading business concerns of west Europe, paying fabulous premiums—of 100 per cent or more—over the market quotations. And, to a large extent, this also explains why capital formation in the USA, long the vanguard of western capitalism, has been conspicuously slow in recent years.

In the last dozen years America's GNP has about trebled; prices too have gone up at an accelerated tempo; the imprints of inflation are writ large all over the economy. Housing, especially after the latest upsurge, has more than doubled in price; land values have more than kept pace with inflation, so also have countless other tangible goods—from food to art products.

As for gold, since the dollar was delinked from it seven years ago, its price has gone up six-fold—from $35 to a recent peak of $215 per ounce.

There is only one exception that hits the eye in the midst of this spiralling inflation, namely, common stocks. In general, they are still languishing at or below their 1966 prices. Risk-bearing capital, however, inadvertently, has been singled out to take the worst punishment in this capitalist society.

This is, of course, a highly unstable situation. And if economic laws have any validity, it cannot last long. The gross underpricing of common stock is bound to be rectified sooner or later. In fact, we are already witnessing the first symptoms of this catching-up process. The two-tier market mentioned before, which, since 1974, moved in reverse direction with the secondary issues rising steadily while the growth stocks were losing height, is now being integrated into one. This, however, is only the first step towards a bigger and more comprehensive integration—that of stock prices with those of real estate, capital goods, gold, and what not, thereby restoring more rational price relations among assets of different types.

In recent years, arbitrary management has created deep faults in the American economy; and, as in seismology, this has steadily built up internal pressures destined to culminate in an explosion to even out the faults and establish a new equilibrium of forces. The frantic spring and summer rallies in Wall Street are but the first rumblings that portend the coming explosion.

To put it in more mundane terms, once inflation and interest rates peak out, which should happen before long, and the dollar and the Dow Jones bottom out, which too seems close at hand, there will be a flight of dollars into Wall Street—from cash-rich domestic institutions and liquidity-laden west Europe, from bonds and T-bills, from OPEC's hoards of petrodollars, from mark, franc, yen and sterling, and from gold—to grab underpriced stocks before it is too late. The buying panic that has gripped the market twice this year is sure to return, off and on, in an even more explosive form, which will ultimately carry the Dow Jones and the entire list of stocks 50 to 100 per cent above their present bargain levels.

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Prospects for real growth in British economy

Frank Broadway

Britain has slowly recovered from the world economic recession, says the author, and can look forward to some real growth in the rest of 1978. It seems problematical, however, whether the surplus of £ 750 million forecast for 1978 will be attained. Britain's dependence on external trade in any event means that further growth will depend on what happens to the world economy.

ECONOMIC ACTIVITY in Britain reached a new record level during the first quarter of 1978 and showed a further advance during the April-June quarter. Gross Domestic Product in the first half of the year was about 1¼ per cent above its level in the second half of 1977 and the rising volume of retail sales has now passed the previous recorded peak in November 1974.

These statistics are not, of course, unexpected. They confirm that Britain has slowly recovered from the world economic recession and can look forward to some real growth in the rest of 1978 and through into next year.

As might be expected, ministers and officials as well as economic commentators are now busy studying Britain's prospects for next year. In addition, the authorities are engaged in holding the economy on a course which has brought a modest resurgence of prosperity.

growth in earnings

The underlying stimulus to this year's growth has come from growth in real earnings in Britain. In the 12 months to the end of June, earnings rose by about 14¼ per cent (after adjustment for special factors, like back pay and bonuses). During the same period, the retail price index rose by 7.4 per cent. In addition to the rise in real earnings, reductions in personal income-tax have added to disposable incomes.

The pattern of the last 12 months could not be repeated without significant inflationary consequences and the government has already announced its intention of trying to keep the average level of wage settlements below the anticipated rate of inflation during the 12 months which started at the end of July. A target rate of five per cent, for the average level of pay settlements is widely assumed. After allowing for "drift", this would probably bring an increase approaching about eight per cent in earnings. This is approximately the rate of inflation forecast by government spokesmen for the early part of next year.

parity in rates

If this parity in the rates of wage and price inflation is achieved, any further stimulus to growth would have to come from tax reductions or from a substantial rise in exports or capital investment.

The special circumstances of the last 12 months were made possible by a number of factors, including the recovery in Britain's balance of payments and in the sterling exchange rate. Along with relatively strict control of growth in the money supply, this helped moderate inflation, but what primarily left room for this year's economic growth was the success of voluntary wage limitation between August 1975 and July 1977, when growth in earnings was well below the rate of increase in prices.

The monthly trade figures continue to follow the pattern of alternating surplus and deficit. In July, Britain had a deficit on current account of £30 million, largely caused by a sharp rise in crude oil imports from an unusually low level in June. This brought the cumulative deficit for the first seven months of the year to £114 million. The deficit could easily be turned into a surplus by increasing North Sea oil and gas production and by an inerease in export volume, and both are confidently predicted for the remaining months of the year. It seems problematical, however, the government's forecast surplus of £ 750 million for 1978 will be attained.

Sterling remains stable in terms of trade-weighted depreciation, although the weakness of the dollar recently pushed the pound briefly above the dollar two level.

Switching out of dollars into sterling is believed to have been partly responsible for the 1.1 per cent rise in the sterling M3 money supply in the July banking month. Demand for bank lending from the private sector has also been unexpectedly strong, suggesting that industrial output may now be rising faster than is indicated by the one per cent increase in June in the index of industrial production. However, growth in the money supply in the current financial year so far is at an annual rate of only 9½ per cent—well within the government's target limits of 8 to 12 per cent.

'the corset'

The authorities' determination to keep within these limits has been shown by an official announcement that limitations on the growth of bank lending, familirly known as "the corset", are to be extended until mid-June next year.

On the inflation front, the prospects for Britain are in fact favourable, at least in the short term. The index for manufacturing industry's materials and fuel fell by nearly one per cent in July, while the one-year trend showed a fall of 1½ per cent. Wholesale prices are rising very slowly, supporting government forecasts that the year-on-year inflation rate should remain around eight per cent this year. Moderation in wage settlements, with earnings rising at or below the inflation rate, would of course enhance the prospect of keeping inflation at around the

current level of 7.8 per cent in the year to July.

While prospects for the current account and for inflation are reasonably good, Britains's dependence on external trade means that further growth next year will largely depend on what happens to the world economy. At the Bonn summit meeting in July, the large-surplus countries agreed to stimulate economic activity, while the United States undertook to attempt measures to reduce oil imports to help stabilise the dollar. The outcome of these agreements is awaited with interest, though it is appreciated that progress is likely to be slow and undramatic.

In another devleopment at the Bonn summit, Britain pressed for measures to enable developing nations to resume or accelerate economic growth. Following this initiative, the government recently announced cancellation of £900 million of long-term debt owed to Britain by the world's poorest nations.

GDR pharmaceutical industry on the march

Peter Niecke

There has been considerable increase of late in the production of medicine in the GDR. Apart from meeting its own requirements, that country exports vital drugs not only to other socialist countries in eastern Europe but also to the developing countries of Asia, Africa and Latin America.

SOME ONE hundred large-scale and medium-sized enterprises of the German Democratic Republic (GDR) pharmaceutical industry manufacture daily products valued at nine million marks: medicines for human being and veterinary medicines, means of hygiene, means of diagnosis, pharmaceutical raw materials and hormones as well as many other usual manufactures in the industry concerned.

In the GDR effect and harmlessness of each new medicine or means of hygiene have to be scientifically proved before they are produced, prescribed and sold. All manufactures of GDR pharmacology are clinically tested and examined by the Institute of Pharmacology and released for application by the Central Board of Experts of the ministry of Health. It guarantees that pharmaceutical drugs produced in the GDR are highly effective and free of undesirable secondary effects. The programmes for quality guarantee, obligatory upon all pharmaceutical enterprises, ensure a stable manufacture of high-grade products. GDR pharmacy advocates unconditionally the regulations of the World Health Organization (WHO). The recommendations "Good practices in the manufacture and control of drugs" made to the WHO member states on the organization's 22nd conference, were quickly and fully met in the GDR. As a result of these recommendations many additional controls were introduced warranting from the beginning a perfect end-product which has the desired effect and gives maximum protection to health.

Since 1971 the scientifically based scale of necessary medicines has been achieved by 200 new compounds adjusted to the latest findings in therapy. Thus the GDR meets the demand of human and veterinary medicine to the extent of more than 90 per cent through a close cooperation between the leading enterprises of pharmaceutical industry and medical research.

Only special requirements of pharmaceutical industry that are rarely used are imported. Against this there are exports of both high-grade pharmaceutical products and hormones which are internationally known under the trade mark GERMED. At present 25 per cent of the annual total output (valued at two thousand millions marks) of the pharmaceutical industry is exported.

Customers in over 60 countries all over the world prefer supplies of pharmacological drugs from the German Democratic Republic. The GDR pharmaceutical industry employs 15,000 persons and every fifth of them is specially educated at a university or a technical school.

The nationally owned enterprise, VEB Arzneimittelwerk Dresden, is the largest manufacturer of pharmaceutical products. More than 300 different compounds in 500 forms are manufactured at the main works and a series of its affiliated enterprises. The specialised programme of manufacture includes medicines for heart- and circulatory diseases, diabetes and psychopharmacological drugs as well as other biochemical compounds.

broad variety

The VEB Jenapharm and its branch enterprises are also very important for the human and veterinary medicine. The main enterprise manufactures steroid hormones and a broad variety of antibiotics as well as vitamins and multi-vitamin compounds. With the halp of highly productive plants one specialised enterprise manufactures all pharmaceuticals required by GDR veterinary medicine. Because of their high quality there is also an international demand for these products.

The biggest chemical works of the GDR, the nationally-owned enterprise VEB Berlin-Chemie, is the sole manufacturer of insulin compounds and other life-preserving medicines.

The VEB Sachsisches Serumwerk has for 55 years successfully helped to fight against infectious diseases by the manufacture of vaccines. Traditional serums against diphtheria, tetanus and other diseases have been replaced by adsorbate vaccines against diphtheria, tetanus, pertussis as well as by adequate combinations of vaccines for purposes of active multiple immunisation.

The VEB Sachsisches Serumwerk also manufactures the vaccine L-16 SSW consisting of living measles viruses which is preferred in many countries. Because of its outstanding effect of immunisation and best tolerance this vaccine has became popular. It reduced measles, this "children's disease" often of grave consequences, not only in the GDR but also in Columbia, Equador and Peru. The Sachsisches Serumwerk does not only supply the GDR health system, but also the international market all its manufactures, especially oral vaccines like anti-dysentery serums, anti-typhoid vaccines and anti-dispepsy vaccines. The customers are not only the Soviet Union and other countries of the CMEA, but also South American, African and Asian countries including India.

steady growth

In 1977 the output of the pharmaceutical industry of the GDR exceeded that of 1976 by 10.5 per cent and it is planned to increase the manufacture till 1980 by 65 per cent compared with 1975. The manufacture of medicines against heart and circulatory diseases increased two-fold, that of psychopharmacological drugs nearly doubled and that of antibiotics increased by more than one-third.

This considerable increase in the production of pharmacological products is not a sign of the population's deteriorating state of health. On the contrary, the system of social health protection, switched from conventional diagnostics and therapy to active prophylaxis, requires a better material basis. Tests for the yearly detection of diseases of the lungs, the heart and circulatory system or metabolic diseases in the GDR is free of charge just as any medical care and treatment. Medicines and all medical aids prescribed by physicians are also free of charge.

To prevent misuse of medicines it is obligatory that medicines can be bought in pharmacies only. One gets the most important pharmacological compounds only on presentation of a detailed physician's prescription.

The Institute of Pharmacology at the GDR ministry of Health is responsible for the exact and complete control of the manufacture of pharmacological substances and end-products as well as the system of pharmacies and consumption of drugs. This internationally known research institute is directed by professor Dr Richter, holder of the GDR national prize.

The State Institute of Pharmacology has the task of upgrading medicines continuously on the latest scientific basis. Old manufactures are withdrawn from circulation and new compounds released for manufacture and circulation after the exact procedure of examination and controls mentioned above are finalised. In the interest of health the institute also informs periodically physcians about an effective and careful application of medicines. "Recommendations for diagnostics and therapy" published periodically do not only reflect the opinion of the state institute or the pharmaceutical industry but also of specialists in the respective field of medicine. The modern system of information warrants that the physicians are able to collect these recommendations for diagnostics and therapy as well as make them up-to-date.

The considerably increased manufacture of pharmacological drugs is the result of mutual exchange of medicines among the socialist countries. GDR exports pharmacological drugs to 12 socialist countries, mainly to the Soviet Union, which has increased by nearly 30 per cent in 1977. The exports include pharmaceutical end products, of all heart and circulatory medicaments, psychopharmacological drugs, medicines against epilepsy and diabetes, contraceptives as well as a broad variety of pharmaceutical manufactures for veterinary medicine. The exports to more than 40 non-socialist countries are also expected to increase by about 42 per cent. Especially important are pharmacological basic substances, hormones, steroids and antibiotics. Other countries to which GDR pharmaceutical products are exported include India and other developing nations in Asia, Africa and Latin America.

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MOVING FINGER

Right when the question whether "morals", in public life or private, should become a political issue is being debated in parliament or outside, Mr George Fernandes has deservedly become a highly respected and admired politician, far beyond his immediate or loyalist circles, by offering to go before the Privileges Committee of Rajya Sabha and clear himself of the charges of corruption levelled against him in the House by Mr B.P. Maurya of Congress (I). The Industry minister is to be congratulated all the more because he has scorned to take shelter behind hair-splitting technicalities or seek refuge in procedural or legalistic wrangles. In this sense this is the first attempt made by a leading member of the ruling party to act on the principle that the government should not only be free of corruption but should also be seen to be so by the people.

Mr Fernandes, in fact, has done a service not only to the party and the government to which he belongs, but he has also struck a blow in the cause of a cleaner public life. A clean public life does not only mean that the ministers and the administration should be clean but also that the opposition parties and its members should not muddy national affairs by levelling corruption charges without justification and merely in an attempt to throw mud at the ruling party in the hope that some of it is bound to stick.

Mr Maurya has made a number of serious allegations, some of which are specific enough, of malpractices connected with the awarding of contracts for loading and unloading imported cement. The Industry minister has volunteered to place the relevant papers before the Privileges Committee and it is up to Mr Maurya to produce documents or other evidence to prove that, as an accuser of the minister, he has acted with a due sense of responsibility and in the public interest. Meanwhile to Mr Fernandes must be extended the gratitude of all right-thinking citizens because he has set a compelling and precious precedent for ministers in the present and future governments, whether at the centre or in the states. This must surely go a long way towards strengthening the hands of the people in enforcing on their representatives in the legislatures, whether occupying the treasury benches or the opposition benches, certain norms of integrity and decency.

I am however far less enthusiastic about the performance of Mr Fernandes at a meeting of the Society for Young Scientists of the All-India Institute of Medical Sciences which he addressed on August 31. Confessing that he was "in deep distress" he explained that this, however, was not because of what was happening in the party but because of what was happening in the country. But surely what is happening in the ruling party is also responsible to a large extent for what is happening in the country. According to Mr Fernandes, the people are in a state of agony because "we are going through a social crisis, economic crisis and a political crisis." If this is so, is it not required of Mr Fernandes and other leaders of the ruling party to place their hands on their hearts and ask themselves how well or ill they have utilised the 17 months they have been in office in discharging the responsibilities of government to the nation?

The minister, surely, makes himself more than a little ridiculous when he complains that "a new party in power may not have brought about more than a change in the name-plate." What exactly has he in mind? Whom is he trying to blame? The people, for voting his party to office, or such of his party or government colleagues who, he believes, are neither themselves interested in giving the country good and clean government nor would allow their more conscientious fellows to do the job? In any case, what are the scientists, young or old, of the AIIMS supposed to do about it? Not that Mr Fernandes would be stymied by such a question. In fact he has made that brilliant suggestion that the society for young scientists should debate the issue concerning the country, instead of leaving it to the politicians—in which case, the politicians, I suppose, should be asked to go to the laboratories and do research. The Industry minister apparently has no use for the maxim handed down from the wisdom of ancient Greek philosophy—"Cobbler, stick to thy last."

The Times of India, in its Delhi edition of August 26, had a scary headline for the lead story on its front page: "Rs 70,000 crores Taxation Effort in the Sixth Plan." The report that followed was by a staff reporter who was giving his version of a speech by the minister of state for Finance, Mr Satish Agarwal, at a seminar organised by the Institute of Chartered Accountants of India. It is indeed rare for a staff reporter's effort to be given pride of place on the front page. The news editor or the chief sub-editor, probably thought that he had a scoop on his hands. But, thanks to some confusion somewhere, what *The Times of India* actually perpetrated, though unintentionally, was a spoof on its readers. The Rs 70,000 crores wrongly mentioned as the "taxation effort" really represent the entire projected public sector outlay on the sixth Plan. In the draft plan it is indicated that about Rs 26,000 crores are expected to accrue as total tax revenue, the contribution anticipated from additional taxation during the plan period being of the order of Rs 13,000 crores. In the circumstances, even to the tax-hardened public in this country, the figure in *The Times of India* headline should have come as a shock, except that many would have seen at once that some one had tripped. This makes me wonder what exactly was it that Mr Satish Agarwal did say.

VB

Complexities of Indian planning

Planning Process in Indian Polity : V. D. Divekar; Popular Prakashan, Bombay; Pp 398; Price Rs 90.

Employer-Employee Relations : V. Bhaskara Rao; Concept Publishing Co, Delhi; Pp 264; Price Rs 60.

Agrarian Unrest in North India—the United Provinces, 1918-22 : Majid Hayat Siddiqui; Vikas Publishing House; Pp 247; Price Rs 60.

Studies in Indian Public Finance : G. Thimmaiah; Kalyani Publications, New Delhi; Pp 114; Price Rs 27.

Project Formulation in Developing Countries : P. K. Mattoo; The Macmillan Company of India Ltd; Pp 268; Price Rs 30.

Soviet Economic Development and Structure : Vinod Mehta; Sterling Publishers Pvt Ltd, New Delhi; Pp 464; Price Rs 75.

South Indian Factory Workers—Their Life and Their World : Mark Holmstrom; Allied Publishers Pvt Ltd; Pp 158; Price Rs 25.

Reviewed by **Academicus**

IN A sense, national planning is essentially a political phenomenon and all economic decisions in the final analysis are political decisions. With all the economic logic and technicalities involved, it is mostly at the political level that decisions are taken regarding the size, pace and direction of economic development, allocation of national resources, priorities to be adopted and the pattern of income distribution that is to be achieved. In a democracy like ours where multi-party system obtains, each of the items mentioned above becomes a hotly debated political issue. Ideological considerations and strategies of political parties as also prevailing political institutions and organised groups such as chambers of commerce and industries and trade unions influence the process of economic planning in a democratic country such as ours.

Dr V.D. Divekar in his book *Planning Process in Indian Polity*, which is based on his thesis for the Ph.D. of the University of Poona, has made a searching enquiry into several issues such as the extent of ideological influences on planning process in India, the impact of programmes and policies of several political parties and organised interest groups on planning, mutual relationship between the Indian National Congress and other political parties vis-a-vis planning, functioning of political institutions like parliament in relation to formulation of planning, people's participation in plan implementation and so on. In brief, the author has undertaken the study of "the mutual relations between political institutions, political groups and political ideologies vis-a-vis planning and its implementation in India." Since economic planning has come to occupy an important place in the economic life of the people in India, it is instructive to know the process through which planning goes and the various factors and forces that influence and mould it. Such as objective analysis may help us to perceive defects, if any, in the process of planning and take steps to remove them with a view to making planning truly reflect needs and aspirations of the people.

BOOKS BRIEFLY

The author has shown with great amount of supporting evidence that acceptance of democracy and federal form of government has made the process of planning in India a complex affair. Multiplicity of political parties, keen rivalries among various trade union organisations and regional rivalries have only added to the complexities. For example, while all parties (excepting possibly Swatantra party) seem to agree on the necessity of planning, they hold differing views on the type of planning needed by the country. In this respect, the Swatantra party and the Communist party stand poles apart. Acceptance of mixed economy where private and public sectors are supposed to coexist and play mutually cooperative roles has only added to the complexities as the private sector feels that its functioning is viewed with suspicion. Political freedom has prompted various interest groups such as organised labour to press their claims without much regard to their duties and responsibilities.

simmering problems

The above difficulties as well as several others did not come to the surface or were left simmering for more than two decades, because of the dominance of a single political party, namely the Congress, and the dominant personality of Jawaharlal Nehru. But the Congress itself was a strange amalgam of rightist and leftist forces and elements. The consequence was that while proclaiming the objective of socialist pattern of society, the country drifted further and further away from that goal, the bureaucracy mostly manned by upper classes playing a major role in the implementation of the five-year Plans. The simmering discontent came to the surface in several states after 1967. The recent meeting of the National Development Council shows to what extent the relations between the centre and the states and among states themselves have got strained making the complex process of plan-formulation still more complex.

What is the way out? Giving up planning? The author rightly feels that the extremely complex economic problems of the country cannot be successfully tackled without comprehensive and close-knit planning. But in view of the above difficulties the way out, according to him, would be decentralisation of planning to enthuse people, and possibly establishment

of political cadres to help in the implementation of plans. But he appears sceptical about decentralisation in view of communal rivalries and factionalism prevailing right upto the village level. Inevitably the author has raised the question which has often been raised in the past but which most are refusing to answer in a straightforward way, namely, whether India can solve its varied and complex economic problems through democratic method and whether in fact the country is fit for democratic form of government. He has trust in education and he has pleaded for more rapid spread of education among people. He feels that education would ultimately build up human character and help strengthen democratic processes and successful formulation and implementation of democratic planning.

One is apt to be sceptical about the author's solution. It is the educated who in India appear to be at present more self-centred and corrupt and therefore responsible for most of the troubles the country is facing. Economic planning and democracy imply a fairly high level of physical, mental and moral discipline among people which by the very definition of backwardness are mostly absent in developing countries. Or else they would not be backward. Has India by adopting both planning and democracy been over-ambitious and is trying to bite more than it can chew? The goings-on in the central legislature of the country during the last two months or so leave one completely disillusioned both about democracy and economic planning.

STAFF RELATIONS

Dr V. Bhaskar Rao has made an attempt in his *Employer-Employee Relations* "to trace the history of employer-employee relations in the public service of government of India." The author has aimed at analysing the staff relations in government service during the period 1947 to 1974 and to find out how far "the government and employees' organisations have succeeded in the complicated task of maintaining reasonable and harmonious staff relations." He has aimed at an intensive study of the scheme of joint consultative machinery (JCM) and compulsory arbitration as they are functioning at various levels with a view to finding out the soundness of the present scheme, the efficacy of its functioning and the attitude of officials and the staff towards the scheme. He has confined his analysis to the industrial and non-industrial, non-gazetted employees of the government of India, and has excluded civil service class I and II employees as they are not covered by the joint consultative machinery and compulsory arbitration scheme. There have been many studies regarding non-government industrial workers in the country. Since satisfactory relations within the government services themselves are as significant as the broader industrial relations in the country, this study is welcome.

conditions of service

Since the policies, rules and regulations of the government affect the conditions of service of civil servants, government employees have come to organise themselves to represent their views and protect their interests. Since the government needs the services of its civil servants to implement its various policies, the author has opined that "it is the responsibility of the government, more than the employees, to maintain harmonious relations by solving the problems in a peaceful manner by consultation and willing cooperation of the employees' organisations." The eventual aim should be to establish industrial democracy and participative management in all spheres including civil service.

The half-hearted efforts by the government to introduce staff committees (later renamed as staff councils) for its non-industrial employees did not pave the way for establishing smooth relations between the government and its employees. It was only the general strike of 1960 that led to some serious thinking on the part of the government and to the introduction, in 1963 of the JCM scheme which after protracted discussions could only be finalised in 1966. This may be said to be the opening of a new chapter insofar as it paved the way for mutual cooperation, discussion and negotiations as a means of solving satisfactorily various problems of civil servants.

The JCM scheme in India, unlike Whitley scheme in the United Kingdom, covers both industrial and non-industrial workers in government service. The government is vested with the final authority of deciding the arbitrability of an issue; and the recommendations of the board of arbitration to be appointed under the JCM scheme may be rejected by the government on grounds of social justice or possible adverse effects on the national economy.

limited success

According to the author, the JCM scheme could record only limited success. Employees in all departments were not properly organised and not all of them had faith in the scheme. The existence of multiple unions and failure of the government to evolve a suitable method of recognising the truly representative union added to the confusion. Much worse, discussions at the meeting of JCM revealed that both the sides had "little faith in the concept of participative management and industrial democracy." The author has stressed that the representatives of the government "need to be educated and trained to re-orient their attitudes and approaches towards the art and science of joint consultation and collective bargaining."

The Whitley system cannot succeed in India unless some suitable principle for determination of salaries is evolved and scrupulously followed. In the absence of such a principle, it has become difficult to maintain harmonious staff relations. In this connection it may be suggested that 'Pay Research Unit' and 'Body on Pay and Cadre Management' as recommended by the Third Pay Commission should be appointed and they should function effectively laying down broad principles of pay fixation.

It must be appreciated that pay and allowances of government employees must have appropriate relationship with those of non-government employees as well as with levels of income of vast masses of people. This means that problems of pay and allowances of government employees can be and should be tackled only in the context of a broad incomes policy the outline of which must be evolved, however complex and difficult the issue. Mere ad hocism, political expediency and submis-

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sion to pressure tactics to all of which government appears to be falling a victim, are only exacerbating the issues instead of solving them. What is disappointing is that there is not even the sign that government either has the vision or determination of moving in the right direction.

The author has not shown any awareness of these broader issues and has confined his analysis to the narrow field of the working of JCM and various procedural technicalities involved. Even there the treatment is superficial and often confusing, the matters being made worse by unsatisfactory drafting.

PITY THE PEASANT

The peasantry has been a subject of discussion among acadamicians and politicians for over a century or so. The place of peasantry in different modes of production came to be analysed by Karl Marx, Lenin, Mao Tse-tung, Gandhiji, Jawaharlal Nehru and others. The peasantry has played varied roles in the national movements of liberation in several countries. *Agrarian Unrest in North India—The United Provinces, 1918-22*, by Siddiqui makes an attempt "to see how certain basic ideas regarding agrarian unrest in general and previously stated general propositions about the peasantry and nationalism square up with our empirical observations."

Recognition of the taluqdars in Oudh as legal proprietors in 1850s reduced the original landowners to the class of tenants living at the mercy of the former. The recognition and legalisation of a multiplicity of landed interests in course of time resulted in a top heavy landlordism that created increasing pressure on the peasantry in Oudh. The level of land revenue demand came to be pitched higher and higher with every settlement operation. The land revenue demand in the province of Oudh rose steadily between 1860 and 1900. The landlords to save themselves from ruin went on raising rents collected from their tenants. The burden ultimately fell on the peasantry leaving them just about enough or sometimes not even enough for the sustenance of their families. This was at the root of the peasant discontentment in Oudh.

India has had a tradition of peasant rebellion and more than seventy-seven such rebellions in the 19th century have been referred to by a knowledgeable author. The only thing that is noticed is "the absence of tradition of sustained rebellion."

During the earlier period, the wrath of the peasantry in Oudh was aroused by local leaders like Thakurdin Singh and Kedar Nath against taluqdars who were supported by the British administrators and therefore the early peasant movement was anti-imperialist. After the association with the kisan movement in UP of Gandhiji and Jawaharlal Nehru during 1920s and 1930s, the peasant movement assumed a positively nationalist garb. The author has made out convincingly an important point that the early association of the peasants of Oudh (and also elsewhere) with the Indian National Congress proved during the British regime their undoing. This was because the Congress was a vast amalgam of often conflicting interests and during their struggle against the British the Congress could not antagonise the class of landlords and capitalists who were within their fold. The small influence which the liberal party in UP had over the peasants of the province for all practical purposes came to an end with the passing of the Oudh Rent Act of 1921. With the collapse of the non-cooperation movement in 1921 and arrest of local peasant leaders in Oudh, the peasant revolt of 1920 and 1921 died a natural death.

historical study

As a historical study of peasant uprisings and Kisan Sabha in modern Uttar Pradesh during 1920s, the book makes poor reading. What was the hypothesis which the author wanted to test? That peasant movements if organised along class lines (as Karl Marx suggested they would) instead of working in close association with bourgeois Indian National Congress would have borne fruits in the shape of greater security of tenure and lower rents or establishment of peasant proprietorship? Or had the author Mao Tse-Tung's thesis regarding peasant revolt in mind? When would some of our scholars read and interpret Indian economic history in terms of Indian culture and traditions instead of viewing it with an approach borrowed from west European history and making a futile bid to test some hypotheses unrelated to Indian conditions and developments? Such attempts are, one is afraid, bound to prove futile as M.H. Siddiqui's attempt has in this book which is written in a confounding style that is the reflection of confusion that reigns in the mind of the author.

PUBLIC FINANCE

In his small but compactly written book, *Studies in Indian Public Finance*, G. Thimmaiah has made an attempt to analyse various topics of Indian public finance such as influence of union budgets on the national economy, built-in flexibility of the Indian tax structure, effects of taxation on the country's savings, influence of direct and indirect taxes on government's and private consumption, effects of union excise duties on price level in the country and so on. The author has also made an attempt to analyse the union and state budgets with a view to putting forward a number of suggestions for fiscal harmonisation between the two. The book contains a number of new ideas which it would be worthwhile to understand and pursue.

It is now an acknowledged fact that the budgetary policy and instruments—taxation, borrowing, lending, spending, transfer payments etc.—greatly influence the national economy through their impact on major variables such as the level and rate of growth of income, consumption, saving, investment, prices, balance of payments and so on. National budget and national economy closely act and react upon each other. India wanting to move towards the goal of welfare state naturally has been relying upon budgetary policy to attain various welfare goals. But the author opines that even though the national budgets did influence the national economy significantly, the achievements have not been much encouraging. But the author has hastened to add that the national exchequer alone cannot be blamed for all these failures.

As in other federations, federal finance in India also suffers from the usual fiscal problems such as vertical federal fiscal

imbalance, horizontal federal fiscal imbalance, vertical federal tax and expenditure overlappings and horizontal federal tax and expenditure overlappings. While federal transfers (through devices such as tax-sharing, debt adjustment and grants) as a means to minimise the above federal fiscal imbalances have been fairly widely studied by Indian economists, 'fiscal harmonisation' as a means to solve the other federal fiscal problems has not received due attention that it deserves.

According to the author, there is wide scope in India for vertical as well as horizontal tax structure harmonisation, vertical as well as horizontal expenditure and tax policy harmonisation and horizontal debt policy harmonisation. In concrete terms, these include measures such as harmonisation of tax rates, exemptions, administrative procedures and additional tax revenue targets of the central and various state governments, harmonisation of expenditure targets and specific expenditure programmes and policies of the union and various state governments, and harmonisation of loan floatation periods, interest rates, maturity period and other related issues of public debt policies of the union and state governments.

the cornerstone

The author has rightly stressed that such fiscal harmonisation involving comprehensive and systematic adjustments of taxes, expenditure and debt structures and policies of the union and state governments with a view to attaining predetermined national goals should be the cornerstone of cooperative federalism in India. At present there is hardly any attempt in the direction of federal fiscal harmonisation; on the contrary the central government and different units of the federation appear to be pulling in different directions. This was witnessed at the recent meeting of the National Development Council.

As regards the impact of taxation on savings in India, the author has tried to make out that "indirect taxes had positive influence on the marginal net as well as household savings, but they had negative significant influence on marginal government savings, and indirect taxes had significant positive influence on government consumption." This goes to prove that "increased tax revenue has gone to meet the increasing government consumption expenditure."

Have union excise duties aggravated inflationary trends in the country? The number of commodities covered by the union excise duties has increased from 3 before the second world war to 25 in 1950-51 and as many as 115 in 1975-76, the gross revenue from excise duties amounting to Rs 3720.60 crores in 1975-76, accounting for 69 per cent of the total tax revenue of the central government. The author has made out convincingly that the union excise duties have definitely added to inflationary pressures in the country between 1960-61 to 1974-75. He has rightly stated that while economists are busy for quite some time analysing demand-pull and cost-push inflation, hardly has any attention been given so far to indirect taxes such as union excise duties as a factor directly affecting the price level in the country.

The seven articles (written at different times and in different journals) included in this book contain a number of novel ideas (such as federal fiscal harmonisation) which need to be worked out in detail by scholars. The full potentialities of different fiscal instruments have not been properly exploited in India for realising various socio-economic goals. Unfortunately many of the fiscal instruments are being employed even at present mainly to raise additional revenue mostly to be squandered on government's consumption expenditure. The author's findings and suggestions point the way the fiscal instruments should be employed in a developing country like India. The readers are attracted by the freshness which the author has brought to bear on his analysis of some of the fiscal problems of India.

PROJECT FORMULATION

In developing countries such as ours with limited financial and real resources and with a fairly short time-span within which to attain specified objectives and targets that have a vital bearing on the welfare of the masses, project formulation assumes great significance.

Project formulation involves "identification of project ideas, development of project objectives, defining of techno-economic parameters of the project, compilation of the financial characteristics of the projects and an analysis of the project from the development of project design and data essential for a final investment decision by the decision-maker."

The author of *Project Formulation in Developing Countries* has dealt fairly exhaustively with several aspects of project formulation from the identification stage to the final stage of presentation in the form of a fully documented and data-based report. The usual techniques associated with project formulation are systems analysis, operations research, market research, techno-economic analysis, input analysis, financial analysis and social cost-benefit analysis. The author has made an attempt to deal with all these aspects and provide a fairly comprehensive reference book for the formulation of projects in diverse economic fields.

the priorities

Project formulation, it is claimed, helps to decide in definitive terms the priority which the project should receive during the course of resource allocation under condition of severe constraint on resource availability. It should be noted that project formulation process does not confine itself to only the analysis of technical feasibility or financial viability but "transcends both technological as well as financial bounds and evaluates the sum total of the effect which the project will have both on the availabilities as well as non-availabilities." Thus project formulation ensures reasonable economic and financial returns, that the objectives cannot be achieved in some less costly way, and that it fits in with the overall economic objectives of the planners or government. For all these reasons project formulation and pre-investment report have become a must. Whether a country is affluent or poor, situations demanding a relative evaluation of various avenues of investment are bound to arise and hence the significance of project formulation. For countries such as ours which have accepted planning as a means to accele-

rate economic development, since planning presupposes the identification of selected objectives and goals and a conscious and deliberate direction of the economy by a central authority to achieve certain goals and targets over a specified time-span, project formulation becomes a matter of great significance.

There is another significant development that lends additional importance to project formulation, especially by entrepreneurs in the private sector. Unlike the commercial banking institutions of yester-year which mainly dealt with investment propositions from the narrow viewpoint of a conventional banker, development finance institutions are today called upon to perform a different function in developing countries. No development finance institution advances funds today merely on the basis of creditworthiness of an entrepreneur. It is only after ascertaining the capacity of a project to repay its way and also about the desirability of advancing funds in terms of what that project would contribute to overall development of the country, does it part with its funds.

team work

Project formulation involving the teamwork of engineer, economist, financial expert, market researcher and so on has been assuming greater and greater significance, especially in developing countries such as ours which are facing several resource constraints. There is also no doubt that project formulation would serve as the most satisfactory means for avoidance of wastage of resources, financial and real. And yet it must be appreciated that project formulation is essentially a technical job. In developing countries like India investment decisions are required to be taken and rightly so, not just from the narrow technical angle of project feasibility and rate of return, but also keeping in view broad socio-cultural and political implications of investment decisions. Socio-cultural and political imperatives often transcend mere technological and financial logic; or else backward regions would continue to remain backward. In P.K. Mattoo's book no awareness appears to have been shown to these considerations though the author might rightly contend that he has looked at the job of project formulation only as a pure technician. This is both the strong point and the weakness of the book which incidentally makes an attempt to fill a long-felt void in the field of project formulation.

SOVIET ECONOMIC HISTORY

Excellent books are being written on economic histories of various countries reinterpreting past economic developments in modern terms of savings, investment, rate of growth of gross and net national product and per capita income, structural changes and changes in levels of living of people. *Soviet Economic Development and Structure* surely is one of them which makes an analytical instead of the traditional approach of merely recording facts. It definitely helps readers to comprehend better the economic history of the USSR.

Economic history has been a fascinating subject and much more so is the ceonomic history of the Soviet Union which blazed a new and truly revolutionary trail with deep impact on economic developments in the world during the post-world war I period. Unfortunately books on economic history of the Soviet Union written by Soviet experts invariably happen to be dull and uninspiring almost to the point of unreadability. It therefore comes as a pleasant surprise that an Indian author should write such an eminently readable and a comprehensive book on the economic history of the Soviet Union.

We come across here all the basic facts about Russia, the nature of the Russian economy before the world-shaking October Revolution, the period of war, communism and the adoption of "The New Economic Policy". The famous industrialization debate that took place between 1924 and 1928 on the eve of the formulation of the first five-year plan invariably reminds Indian readers of the equally famous debate on the same issue (the repercussions of which are still reverberating in the country) that took place in India on the eve of the formulation of the second five-year Plan. If in the Soviet Union we notice fairly successful accomplishment of the task of collectivisation of agriculture resulting in a far-reaching and revolutionary transformation in agriculture uprooting capitalism and bourgeois class in the countryside, the success is due entirely to the ruthless implementation of the projects. Incidentally that also explains the reasons for the failure of cooperative farming in India. Lenin rightly said long ago that socialism was not for the timid.

We get in the book lucid account of all the five-year Plans—from the first (1928-32) to the tenth five-year Plan (1976-80)—with the outline, characteristics and strategy of each plan, the volume and pattern of investment, the bottlenecks met and how they were overcome and the achievements of each plan. The analysis is lucid and comprehensive. What strikes the readers at this distance of time is the ingenuity which Lenin showed while planning the Soviet economy. It ought to be kept in mind that after predicting eventual and inevitable collapse of capitalism and appealing to workers to organise to accelerate the process, Marx says practically nothing on reorganising the communist society except that all the means of production will be socially owned and managed.

Lenin's role

A large part of credit for providing many scientific solutions to the key problems of planning of a socialist economy must go to Lenin. For example, he speaks of things such as 'systematic organisation of social product constituting the pivotal point of planned management', 'a single national plan reflecting the balance and unity of inter-industry and inter-district division of labour', 'importance of centralised management of the economy, both technologically and economically', 'economic independence at the enterprise level and initiative of the masses', 'not confusing democratic centralism with bureaucracy and routinism', 'long-term plans' and so on.

The Soviet economic development opened a new chapter in human endeavour and man's struggle against hunger, poverty, illiteracy, unemployment and national oppression. There is no doubt about the remarkable achievements of the Soviet

economy during the last sixty years. If the country "accounted for only slightly more than four per cent of world industrial production before the revolution; today the corresponding figure is one-fifth. The Soviet Union produces more cast iron, steel, oil, iron, manganese and chrome ores, coal and coking coal, cement, tractors, diesel and electrical locomotives, cotton, flax, mineral fertilisers and many different goods than any other country." The achievements of Soviet-agriculture are under-estimated and if the Soviet Union has been importing food-grains during recent drought years, it should be remembered that "Most of the grain imported from abroad is not for human consumption but is fodder grain."

theoretical aspects

Those readers who are more inclined towards theoretical aspects of socialist economy would find the second part of the book dealing with the structure of the Soviet economy more instructive. We get in this part fairly lucid analysis of the structure of Soviet industry and agriculture and the roles of price mechanism, money and banking, public finance and international trade. We are so much accustomed to their role in capitalist or mixed economies and the Soviet experts employ so much jargon while explaining these that the average student finds it difficult to comprehend their roles and functions in a centrally planned economy like that of the Soviet Union. And therefore credit certainly is due to Vinod Mehta for lucidity with which these complex theoretical issues have been analysed and expounded.

The significance of the Soviet economy for the world at large lies in the fact that while the capitalist countries are periodically hit by booms and depressions, inflation and stagnation, the Soviet economy never experienced a single crisis. This is an important phenomenon which should be critically examined by every developing country. This fairly comprehensive book by Vinod Mehta would go some way in helping readers to understand how the Soviet economy managed to overcome those crises. It appears that developing economies can certainly learn something from the Soviet experience over the past sixty years so ably depicted by the author in this book.

SOCIAL ANTHROPOLOGY

The study *South Indian Factory Workers—Their Life and Their World* was undertaken by Mark Holmstrom of the University of East Anglia to find answers to questions about the situation and thinking of workers in modern, capital-intensive factories and to show "how the methods of social anthropology can be used in the study of urban work, especially of new occupations in India." The author was curious to know about social consequences of high-technology capital-intensive industrialisation and conditions for it. A number of hypotheses were required to be empirically tested such as the idea of a single main line of development of evolution from traditional, rural-folk society to a uniform type of modern urban-industrial society; confusion of industrialisation with urbanisation; that industrial workers in India are not committed to industrial work or town life as workers in developed countries; and that they cannot readily adapt to rational bureaucratic organisation, regular time-keeping, career patterns and such other demands of successful industrialisation.

Seeking answers to questions such as the above ones requires economic surveys and this is what the author has tried to do. He has mainly tried to find out answers to three questions: (1) Who are the factory workers? (2) What is the factory workers' understanding of their own situation? Do they see themselves as a separate group and as aristocracy of labour? (3) What are their ideas regarding their jobs and career? The author tried to find answers to above questions by examining case studies of 104 workers from four factories in Bangalore, two, from public sector and two from private sector, all using capital-intensive techniques of production.

As regards the first question, the author found that these factory workers came from a wide range of background and castes; but very few from the poorest groups. There was not a sharp break in life styles and attitudes. The author found that benefits of factory employment go to a large part of the urban population, to a substantial population in rural areas and small towns, but not much to the submerged mass of casual labourers and slum-dwellers.

In answer to the second question above, the author found that the factory workers see factory work as "a citadel of security and relative prosperity". It offers them regular work and possibilities of promotion and predictable rewards "as against terrifying dangers of life outside." This working class is a middle class, an association with technology carrying its own prestige. They have middle class life style and aspirations, some limited control over their own careers and some power to defend their own position by joint action. The author found that they do not think of themselves as an elite or an aristocracy of labour.

the career

As regards the third question, it was observed that a job was considered a part of the carreer which is part of a life-time, which is part of a family's development or some other long-term process. A worker's life makes sense because of his career and he makes life for himself because of his career.

But the author did not find among factory workers in Bangalore the Japanese lifetime commitment to a firm; not even among the few. A job is a job and whoever gets a better one will take it. Also worker's career is not his whole life. Everyone has his own world view and hierarchy of value which he shares with others.

What does one make out of this study? Practically nothing. The sample selected was not representative of Indian factory workers as all the four factories were engaged in manufacturing machinery and such other instruments using capital-intensive techniques. Naturally only workers from certain sections of the community and with certain level of education and with urban bias and background could get jobs there. This means their attitudes and values cannot be taken as representative of the Indian factory workers. Also samples selected (namely 104 workers only) further percluded the possibility of arriving at any generalities in regard to the three

questions with which the author started his investigations. This means except as an interesting account of life and conditions of work in some factories in Bangalore, the book hardly appears to have any general significance. Foreign scholars almost invariably bring with them their own framework of reference and carry on research in developing countries within that framework. No wonder, such research and its findings often, if not always, become irrelevant..

Financing priority sectors

Bank Lending to Priority Sectors (Principles and Techniques) : H. R. Suneja; Shakti Publishers, P-5, Jangpura Extn. New Delhi-110014; Pp viii+440; Price Rs 30.

Reviewed by **P. N. Arora**

IN THE present context of national reconstruction geared towards social justice and self-reliance, bank lending to priority sectors of the economy has assumed very great significance, particularly for enlarging employment opportunities in various types of economic activities and for ameliorating the economic lot of the weaker sections of the society. The norms and style of credit dispensation to priority sectors having undergone major changes, this comprehensive book wherein there is skillful blending of the priciples and techniques used in lending to the priority sectors is, therefore, timely and useful.

elaborate detail

There are 20 chapters in the book. Beginning with recent developments in commercial banking in India in the first chapter, the next seven chapters deal in elaborate detail with the basic and vital topics covering financing of agriculture. These include : Credit needs of agriculture and sources of finance; Techniques of appraisal of production and investment credit; Financing of primary agricultural credit societies (PACS), gobar gas plant, weaker sections and livestock entrperises; ARDC and AFC. Two subsequent chapters explain in length the Small Loans Guarantee Scheme 1971 and loaning procedure for helping the small borrowers, viz farmer, transport operators, retail traders, small businessmen, professional and self-employed persons, indigent students and borrowers belonging to the scheduled castes and scheduled tribes. The following three chapters are devoted to financing of small-scale, cottage and tiny industries and deal with such important aspects as Credit Guarantee Scheme, loaning procedure and special schemes of banks, central and state governments and IDBI. The last seven chapters deal with export finance and the topics discussed include banker's documentary credit, tender of document finance under a credit pre-shipment and post-shipment finance, ECGC and export refinance. The rest of the book contains 20 appendices, 182 examination questions and index.

No standard work on priority sector finance has so far been available and by writing this book, the author has met this long felt need of the practising bankers. The book provides many points and ideas which would help the bankers to take judicious and equitable decisions to improve the quality of priority sector advances and ensure timely recovery. The chapter-wise list of examination questions, covering the contents, shows that the book has been written with a real insight into the needs of the students of banking. Written in a simple language, the book will also prove useful and informative to bank customers and general readers who wish to understand the subject.

Books Received

Planning Process in Indian Polity : V.D. Divekar; Popular Prakashan, Bombay; Pp 388; Price Rs 90.

Equality Through Trusteeship and Full Employment : Vadilal Lallubhai Mehta; Bharatiya Vidya Bhavan, Kulapati K.M. Munshi Marg, Bombay 400007; Pp 161; Price Rs 10.

Economic Integration : Worldwide, Regional, Sectoral : Fitz Machlup; Macmillan Co. of India Ltd, New Delhi; Pp 375; Price £15.

Indian Pirates: R.N. Saletore; Concept Publishing Co, Delhi; Pp 200; Price Rs 50.

Social Change in Indian Society : Rughuvir Sinha; Concept Publishing Co, Delhi; Pp 210; Price Rs 50.

Behaviour of Prices in India 1952-70 : Santi K. Chakrabarti; Macmillan Co of India Ltd, New Delhi-28; Pp 202; Price Rs 50.

Aspects of Evaluation and Project Appraisal : K. Puttaswamaiah; Popular Prakashan, 35C Tardeo Road, Bombay 34; Pp 82; Price Rs 30.

The Finance Commissions of India : S. Venu; Institute of Financial Management and Research, 30 Kothari Road, Nungambakkam, Madras-600034; Pp 174; Price Rs 35.

Global Political Assessment : William H. Overholt; Kunnuparampil P. Punuoose, 6/77 WEA, Karol Bagh, New Delhi-110 005; Pp 119; Price Rs 50.

Public Scector Investment Planning for Developing Countries: E V.K. Fitzgerald; Macmillan Co, of India Ltd, New Delhi; Pp 200; Price Rs 50.

Corporate Financial Management : An Introduction : A. Besant, C. Raj; Tata McGraw-Hill Publishing Co. Ltd, New Delhi-2; Pp 189.

TRADE WINDS

Industrial Relations Bill

THE INDUSTRIAL Relations Bill, introduced in Lok Sabha on August 30, seeks to enlarge the scope of the term "employee" to cover all those employed in sales promotion, professional or recreational work. The bill for the first time, makes a specific provision for bipartite negotiations as the first step for settling industrial disputes. The bill also stresses the need to exhaust all modes of settlement like negotiation, conciliation, arbitration, etc, before either party decides to resort to direct action. These procedures will be time-bound. A distinction will be made between establishments and undertakings that cater to essential services and others. In the former there will be compulsory reference of disputes for adjudication, or arbitration failing bipartite negotiations and conciliation. In these cases, there will therefore, be no need for any work stoppage either in the form of a strike or a lockout. In non-essential services, where disputes cannot be settled by any other means and the employees want to resort to a strike, it will be necessary for a negotiating agent to conduct a strike ballot and obtain the support of 60 per cent of the employees before a strike is resorted to.

There will be a greater check on lay-offs, retrenchments and closures under the bill. The bill makes prior approval of the government obligatory in cases of lay-offs, retrenchments and closures for establishments employing 100 or more workers, in place of the present limit of 300 or more. The bill also liberalises the rates of lay-off compensation making it 50 per cent of the wages for the first one month and 75 per cent thereafter. Even establishments employing 20 or more employees will have to pay compensation under the new bill. Under the existing law, only employers of establishments engaging 50 or more persons are required to pay lay-off compensation and this payment can be stopped after 45 days in most cases.

Provision for Punishment

The bill provides for imprisonment up to one year and fine up to Rs 5,000 or both for violation of its various provisions. The maximum punishment is prescribed for closure of an industrial establishment in contravention of the provisions. An employer who lays off or retrenches an employee or alters the terms of employment or conditions of labour of any employee or dismisses, discharges or otherwise punishes an employee for misconduct, in contravention of the provisions, shall be punishable with imprisonment up to one year or a fine up to Rs 2,000 or both. Under the bill, if the registered union defaults in giving notice or sending any statement or document as required under the provisions, every office-bearer shall be punishable with a fine up to Rs five for each week during which the default continues. The total fine in this case shall not, however, exceed Rs 100.

The penalty for supplying false information regarding a registered union is a fine up to Rs 500. If an employer fails to recognise a sole negotiating agent or a chief negotiating agent or a local union in accordance with the provisions or refuses it the specified facilities, he shall be punishable with imprisonment up to one year or a fine up to Rs 2,000 or both. The penalty prescribed for disclosing information affecting an employer or a trade union or individual business is imprisonment up to six months or a fine up to Rs 2,000 or both. The penalty for commencing a lock-out that is illegal under the provisions is imprisonment up to three months or a fine up to Rs 2,000 or both. An employee who commences an illegal strike is liable to be punished with imprisonment up to three months or a fine up to Rs 100 or both. A person who instigates or incites others to take part in a strike or lockout that is illegal shall be punishable with imprisonment up to six months or a fine up to Rs 2,000 or both. The fine for giving financial aid to an illegal strike or lockout is imprisonment up to six months.

Breach of Settlement

A person who commits a breach of settlement or award which is binding on him shall be punishable with imprisonment up to one year or a fine up to Rs 2,000 or both. Where the breach is a continuing one he shall be liable to pay a fine of not less than Rs 100 and not more than Rs 500 everyday during which the breach occurs. Labour courts, industrial tribunals and national commissions are being given powers under the bill to give interim relief, order payment of full wages if employees ordered to be reinstated are not reinstated by the employers and for execution of all settlements, awards and orders. The bill provides that as a rule, all changes in the conditions of service, except in respect of specified matters can be brought about only with the consent of the employees likely to be affected by the changes. It also empowers the appropriate government to specify, as an interim measure, a set of conditions for service and relief of any classes of employees in any collective dispute.

Gwalior Rayon Abroad

Gwalior Rayon has turned its attention increasingly to put up projects in south-east Asia. Inspired by the success of the staple fibre project set up by the company in Thailand, it is setting up a staple fibre project near Jakarta (Indonesia) with a daily capacity of 35 tonnes. The cost of the project is estimated at about Rs 24 crores.

Mr Aditya V. Birla, chairman of the company, told a press conference recently that necessary permission had been received from the government for equity participation by way of supply of machinery to the tune of US $1.64 million (about Rs 1.48 crores). The company will also be exporting additional machinery worth Rs 1.90 crores for this project. Technical know-how for the successful implementation of this project will also be supplied by the company.

Answering questions, Mr Birla said that the company is

also exploring possibility of setting up a viscose staple fibre plant in Philippines with a daily capacity of 40 tonnes.

The staple fibre joint venture of the company in Thailand is doing very well. The current production is 150 per cent higher than the initial capacity. The fibre produced at this plant is being exported to various countries. India absorbs about 25 per cent of the production of this plant.

The company is not confining its joint ventures abroad to staple fibre. Indophil Textile Mills Inc, Manila, is working satisfactorily. Negotiations are in progress with Malaysian government for establishing a big paper-cum-pulp manufacturing unit in the state of Sabah in the joint sector. A palm oil project is also contemplated in Malaysia.

The company is setting up a joint venture in Thailand for the manufacture of carbon black in technical collaboration with Philips of USA. The total cost of this project will be Rs 15 crores and the company's equity participation will be about Rs 65 lakhs against the export of machinery from India. The plant is expected to go into production early in 1979.

Tenth Gold Auction

The Reserve Bank on September 1, awarded 0.94 tonne of gold to 699 successful bidders at prices ranging from Rs 731 to Rs 751 per 10 grams—a hike of Rs 20 and Rs 30 in minimum and maximum prices respectively compared to the ninth auction prices. In the last auction, gold was awarded at the prices ranging from Rs 711 to Rs 721 per 10 grams, a steep rise of Rs 66 and Rs 67 per 10 grams in minimum and maximum prices compared to the seventh auction.

The following are the details of the gold awarded in the tenth auction: Price quoted (Rs per 10 gms) 751-750, 749-745, 744-740, 739-735, 734-731, No of bids, 6, 10, 37, 103, 543, Total quantity in gms: 4,200, 6,600, 38,800, 116,200, 769,500, Total 699, 935,300. As many as 1,640 bids were received by the RBI for the tenth auction of which nine bids were rejected as invalid. Of the 1,631 valid bids 699 were accepted. The list of the successful bidders includes 44 joint bids tendered by the registered goldsmiths/dealers. The eleventh gold auction will be held on September 13.

Airlines Foreign Travel Tax

The Finance ministry is understood to be considering a proposal by Air-India and some other airlines that the 12.5 per cent foreign travel tax imposed recently should be replaced by a suitable increase in the departure fee which is currently being levied at the rate of Rs 20 per passenger leaving the Indian airports for travel abroad. The suggestion has been made in view of the fact that some airlines and unauthorised travel agents are misusing the facility of paid ticket advice as a result of which nearly 40 per cent of passengers going abroad from this country are dodging the foreign travel tax.

The current Rs 20 departure fee is yielding about R 3 crores per annum. The total receipts from foreign travel, including the foreign travel tax, were expected to yield about Rs 10 crores. The loss of revenue owing to the abolition of the foreign travel tax, it is felt, can be well counterbalanced if the departure fee is enhanced to $ 8 per passenger. At this level of departure fee, the yield is expected to be Rs 11.5 crores.

Advances to Sugar Industry

In the context of the removal of control on the prices, movement and distribution of sugar with effect from August 16, 1978 and in view of the government's decision that the basis for the valuation of stocks need not be changed during the transition period, the Reserve Bank has advised banks not to make any change in the valuation of stocks against which advances have been granted to parties manufacturing sugar. In other words, the basis of valuation of stocks in respect of such parties immediately prior to decontrol would continue to prevail. It has also advised banks that the distinction maintained between levy stock and free sale stocks —(a) not released for sale and (b) released for sale—may be continued notionally, as well as the respective margins in respect of parties manufacturing sugar. The valuation and margin stipulations governing advances against sugar to parties other than those manufacturing sugar, however, remain unchanged. Conveying these to banks, the Reserve Bank has emphasised the need for avoiding any undue expansion of credit to the sugar industry. At the same time, it has cautioned that there should be no forced withdrawal of funds already made available to the industry. In fact, in marginal cases, banks, it is stressed, may consider sympathetically and forward to the Reserve Bank requests from factories for additional credit to facilitate prompt payment of dues to cane growers.

Bonus for 1977

The government has announced recently a statutory minimum bonus for employees at 8.33 per cent for the accounting year 1977 irrespective of the profit or loss. Making a statement in Rajya Sabha, the minister of state for Labour, Dr Ram Kripal Sinha, stated that pending scrutiny of the various proposals received from different quarters for amending the Bonus Act of 1965, the government had decided to maintain the status quo for one more

6¼ PER CENT UTTAR PRADESH STATE DEVELOPMENT LOAN 1988

ISSUE PRICE Rs. 100.00 PER CENT
OPENS FOR SUBSCRIPTION ON 12th SEPTEMBER 1978

The loan will be closed as soon as total amount of approximately Rs. 36.75 crores has been subscribed and in any case not later than the close of business on 14th September 1978.

THE LOAN WILL BE UTILISED TOWARDS DEVELOPMENT PROGRAMME OF UTTAR PRADESH

The loan applications will be received at :—

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna.
2. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

ALL ARE REQUESTED TO SUBSCRIBE GENEROUSLY TO THIS NEW LOAN. APPLICATION FORMS AND FULL PARTICULARS CAN BE OBTAINED AT ANY OF THE ABOVE RECEIVING OFFICES.

year in view of the onset of the festival season. "Accordingly, steps are being taken to continue the pattern of bonus payments prescribed in the amended act of 1977, namely, for an 8.33 per cent minimum bonus, regardless of profit, to be paid for the accounting year commencing on any day in the year 1977." The minister said the demand for restoration of minimum bonus, which workers enjoyed before the emergency, came up as a natural consequence of the demand to right the wrongs of the emergency. In August last year, the government had decided to restore the minimum bonus of 8.33 per cent for 1976, subject to the provisions of the Payment of Bonus Act which empowered the government to protect marginal and sick units.

Garment Team for US

A high powered textile delegation has left for the USA recently for sorting out the problem of garment visa faced by exporters of mill-made textile garments. The delegation, headed by Mr B.L. Das, joint secretary, the ministry of Commerce and consisting of Mr M.C. Subarna, the textile commissioner, and Mr R.M. Merchani, secretary-general, the Cotton Textile Export Promotion Council, will also discuss the problem of garment quotas for next year. A sizable quantity of mill-made textile garment is lying uncleared in the US docks for want of visa. The contention of the US government is that quota for this particular item has been exhausted and it will not permit further import.

The textile delegation will seek reclassification on the basis of the data collected from this side and urge recrediting of mill-made textile garments to the tune of 14 million pieces. This will help the clearance of the stranded garment consignments. The delegation will seek enhancement of the garment quota for next year. Efforts will be made to have the quota for sensitive items doubled.

British Engineering Mission

A trade mission sponsored by Britain's Engineering Industries Association (EIA) is due to arrive in Calcutta on October 21 at the start of a two-week visit to this country. This first mission to India from the EIA is "easily the most successful, member-wise, that we have organised for a long time", a spokesman for the association said in London recently. The member-companies manufacture a range of products "across the board", from carburetors for motor-cycles to packaging machinery. Some firms are established in India through individual contact; others will be making their first exploratory survey. Possibilities for joint ventures will also be examined.

The spokesman of the association stated that "India could be a good market for many of our members. Our first visit as a body is a most exciting prospect, and we are sufficiently encouraged by the response of our members to be thinking already of staging a second mission in 1979." Mr. Peter J. Green, Financial secretary of the EIA, who will lead the mission, will produce a report for the association's 4,000 members, assessing the market and outlining current achievement. While in Calcutta, the mission members will visit individual firms for business discussions. Other engagements include a lunch to be given by the committee of the Bengal Chamber of Commerce and Industry and a reception by the Engineering Association. The members will go to Bombay on October 28, and are due to leave India on November 4. The EIA was founded in 1940 to provide an organisation representative of the engineering industry of the United Kingdom. It is now the largest association of its kind in the country, with active branches through out the UK.

Public Sector Units' Exports

The public sector undertakings under the control of department of Heavy Industry have received export orders valued at Rs 70.96 crores during the first three months of the current financial year (April to June, 1978). The value of export orders pending with various undertakings at the end of June, 1978 amounted to Rs 780.61 crores, as against Rs 793.52 crores in May, 1978. The value of orders physically completed during the month of June, 1978 alone was Rs 15.31 crores, as compared to Rs 18.45 crores worth orders executed during the months of April and May together. The major orders under execution are by Engineering Projects (India) Limited (Rs 440.69 crores, Bharat Heavy Electricals Limited (Rs 265.60 crores),

Eastern Economist 30 Years Ago

SEPTEMBER 10, 1948

If there is one deep sentiment which comes uppermost to our minds after the excursions and alarums of the last three weeks, when the economic situation has been discussed from different angles and seen with very different eyes, it is that India in this emergency is one, single in present purpose even if somewhat variable in long-term ends. No one who has read the various reports can fail to catch the dominating note which is that no sectional interest shall prevail against the good of the nation as a whole. Two remarkable illustrations of this spirit come from very different sides. Jai Prakash Narain, the Socialist Leader, has spoken of the need for wage regulation as well as regulation of salaries and profits. The Working Committee of the Indian National Trade Union Congress meeting in Delhi last Sunday endorsed in general many of the measures proposed and expressed gratification that "barring vested interests" there must always be kept alive a rift within the lute—there was "remarkable agreement which should give the government scope for action". The industrialists and bankers are now unanimously committed to controls—which it is known many of them intensely dislike —as well as to limitation of dividends which they have often enough opposed. There are still differences unresolved particularly, on the question of taxation but, to our minds, they are not fundamental differences which will obstruct a course of action in the short period. We cannot think of any period in India's recent history when the possibilities of a large agreement have ever been so promising and bright.

Heavy Engineering Corporation (Rs 28.57 crores), Jessops and Company Limited (Rs 12.31 crores), and Braithwaites and Company (Rs 10.16 crores).

New Terminal for Delhi Airport

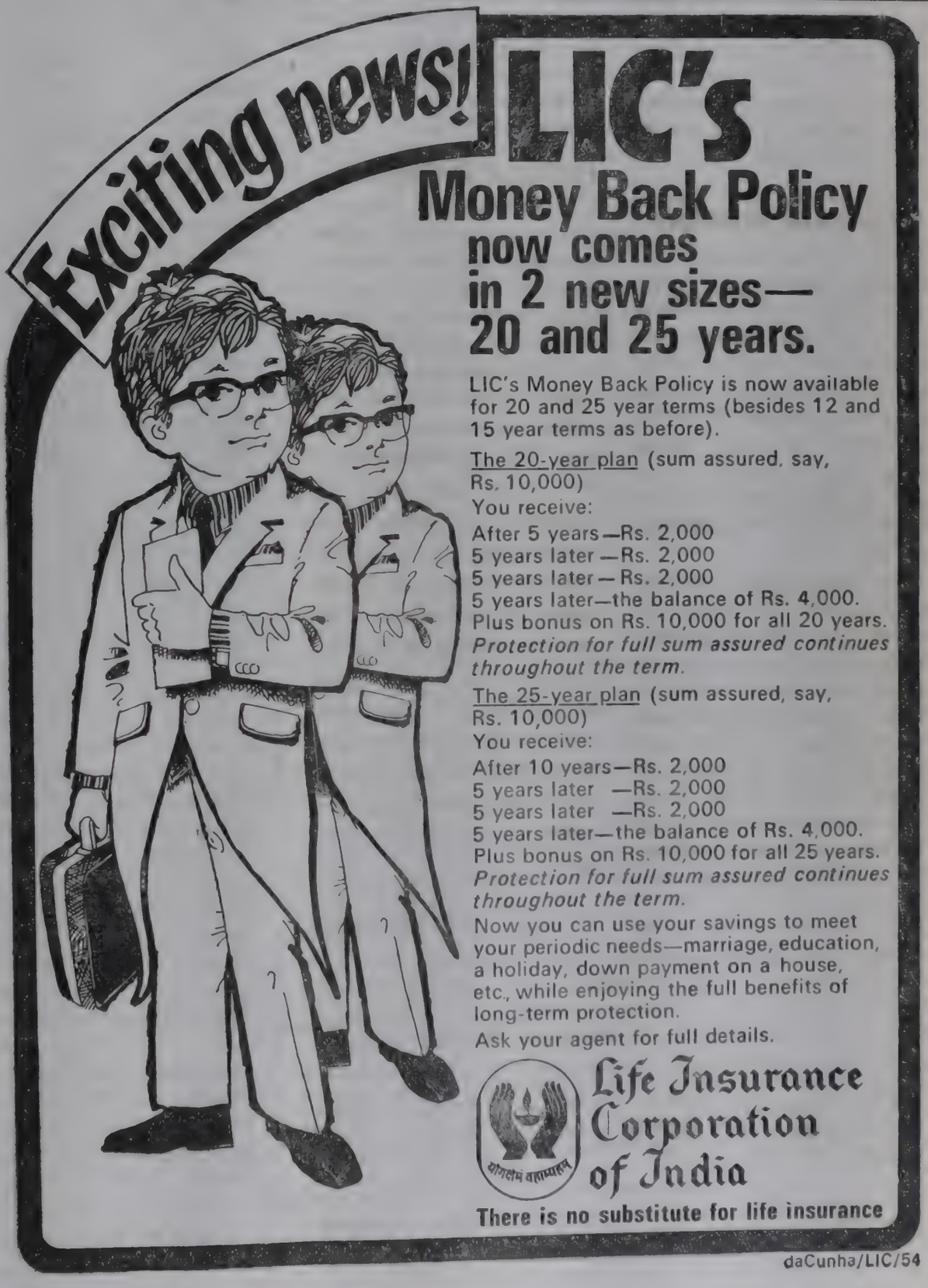
A new Rs 40-crore international terminal is to be set up at Delhi airport to cope up with the anticipated increases in cargo and international passenger traffic. The terminal is expected to be completed by 1983-84. The minister for Tourism and Civil Aviation, Mr Purshotam Kaushik, recently visited the site for the proposed terminal. After the commissioning of the new terminal a part of the existing international complex will be used for the domestic passenger and cargo movement. The existing facilities are designed to handle 3.5 million passengers including 800,000 tourists. Last year the international passenger traffic at the terminal was 12 lakhs.

Bonus for Rourkela

The employees of Rourkela Steel Plant, including fertilizer plant and mines, will receive around 13 per cent annual bonus for their performance during the year 1977-78. An amount of nearly Rs 3.3 crores would be disbursed among 36,500 employees. Rourkela's annual bonus scheme which is a two-factor performance scheme, was evolved as per a tripartite agreement with the recognised union. The scheme provides weightage for capacity utilisation in saleable steel production and productivity factor. During the year 1977-78, Rourkela Steel Plant operated at 96.2 per cent of its rated capacity and the labour productivity index came to 32 tonne of saleable steel per man-year. The bonus amount, which will be distributed to the eligible employees as per the payment of Bonus Act, would vary between Rs 664 to Rs 1144.75, depending upon the salary of the individual employee. The bonus payment will be made during the month of September, 1978 along with the salary for the month of August, 1978.

Operation Flood II

The states proposed to be covered by Operation Flood II are: Assam, Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Madhya Pradesh, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. Further the states of Kerala, Orissa, Sikkim and Meghalaya will be covered under centrally sponsored dairy programme patterned along the


Exciting news!
LIC's
Money Back Policy
now comes
in 2 new sizes—
20 and 25 years.
LIC's Money Back Policy is now available for 20 and 25 year terms (besides 12 and 15 year terms as before).
The 20-year plan (sum assured, say, Rs. 10,000)
You receive:
After 5 years—Rs. 2,000
5 years later—Rs. 2,000
5 years later—Rs. 2,000
5 years later—the balance of Rs. 4,000.
Plus bonus on Rs. 10,000 for all 20 years.
Protection for full sum assured continues throughout the term.
The 25-year plan (sum assured, say, Rs. 10,000)
You receive:
After 10 years—Rs. 2,000
5 years later —Rs. 2,000
5 years later —Rs. 2,000
5 years later—the balance of Rs. 4,000.
Plus bonus on Rs. 10,000 for all 25 years.
Protection for full sum assured continues throughout the term.
Now you can use your savings to meet your periodic needs—marriage, education, a holiday, down payment on a house, etc., while enjoying the full benefits of long-term protection.
Ask your agent for full details.
Life Insurance Corporation of India
There is no substitute for life insurance
daCunha/LIC/54

same lines as Operation Flood II. The milk shed areas proposed to be covered in the fifteen Operation Flood II states have been selected on the basis of the recommendations of the Dairy Development sub-group of the National Commission on Agriculture as best suited to modernised dairy production as a part of the local patterns of mixed farming. This information was given by minister for Agriculture, Mr Surjit Singh Barnala in Lok Sabha recently.

New Bank Directors

The following persons have been appointed directors of the nationalised banks for three years: Mr D.M. Nikam (Bank of India from July 19, 1978), Mr V.J. Deshpande (Dena Bank from August 7, 1978), Mr M.N. Goiporia (Dena Bank from August 11, 1978) and Mr N. Vaghul (Central Bank of India from September 1, 1978).

The goverement appointed on September 3, 1978 five new directors to the nationalised banks to fill the vacancies and reappointed for a period of three years, Mr C.E. Kamath as managing director and chairman of the board of directors of the Canara Bank. The new appointments to the boards are: Mr V.P. Malhotra of the Reserve Bank of India for Bank of India in place of Dr M.V. Hate; Mr L. Krishnan of RBI for Canara Bank in place of Mr A. Hasib; Mr J.G. Gogate of the RBI for Indian Overseas Bank in place of Mr K.B. Chore; Mr V.R. Gupta, joint secretary, ministry of Finance for Canara Bank in place of Mr V.K. Shumglu and Mr Baldev Singh of the ministry of Finance for Bank of Baroda in place of Miss Kusum Lata Mital.

Fertilizer Output

At the beginning of the year 1978-79, the target of fertiliser production for the manufacturers was fixed at 2.5 million tonnes of nitrogen and 800,000 tonnes of phosphate. The production target now proposed to be fixed for the year, after taking into account the revised dates for commissioning of new plants, constraints on availability of power, raw materials, etc, is 2.25 million tonnes of nitrogen and 750,000 tonnes of phosphate. The actual production of fertilisers during the first four months of the year 1978-79 i.e. April-July, 1978 and the target of production for these months based on the overall annual target now proposed to be fixed, are given below:

(In '000 tonnes)

	Target		Production	
	Nitrogen	Phosphate	Nitrogen	Phosphate
Public sector	274.1	79.6	264.1	77.3
Private sector	296.2	96.0	293.7	95.6
Cooperative sector	70.0	57.4	73.5	65.1
Total	640.3	233.0	631.3	238.0

Names in the News

Mr P. T. Venugopal has been appointed chairman of Oil & Natural Gas Commission. Mr Venugopal who was member (Finance), ONGC, succeeds Mr N. B. Prasad, who relinquished charge on August 22, 1978. Mr Venugopal has wide experience in the field of finance, personnel management and administration, apart from a background in the oil industry stretching over 11 years. After 14 years in the Indian Railways he joined Bharat Heavy Electricals Ltd., Tiruchirapalli unit, as financial adviser. Then he joined Cochin Refinery Limited in May 1967 as finance director and government representative on the company board. Subsequently he was also nominated to the Madras Refineries Limited board as finance director and government representative. Mr Venugopal came over to ONGC on February 1, 1971, as the finance member. Simultaneously, he became finance director, Hydrocarbons India Limited.

Mr P. T. Venugopal

Col. S. P. Wahi, executive director of the Hardwar division of the Bharat Heavy Electricals Limited has been appointed a part time director of the Heavy Engineering Corporation, a public sector undertaking under the ministry of Industry. Col Wahi is already on the board of directors of Misha Dhatu Nigam, an undertaking under the ministry of Defence. As executive director of BHEL's Hardwar division, Col. Wahi is in the overall charge of the two manufacturing plants—Heavy Electrical Equipment Plant and Central Foundry Forge Plant at Hardwar.

The Burmah Oil Company of Swindon, UK, has nominated **Mr M. M. Sabharwal**, a business executive as a director of Oil India (OIL) board in place of Mr J. C. Finlay, M. C. retired. Mr Sabharwal has worked for Dunlop India Ltd for over 35 years, and retired in 1977 as chairman of the board of directors.

Mr J. N. Kohli, has taken over as member, Transportation, Railway Board He had handed over charge of the general manager, South Eastern Railway to Mr M. S. Gujral on August 17, 1978. Mr. Kohli joined the old East Indian Railway in 1945 and subsequently held important assignments as deputy chief operating superintendent and marketing and sales superintendent. He was chief traffic manager in the Food Corporation of India during the Bangladesh crisis.

COMPANY AFFAIRS

Seshasayee Paper

THE WORKING results for the year ended March 31, 1978, of Seshasayee Paper and Boards Limited have shown a profit of Rs 148.75 lakhs after providing for depreciation to the extent of Rs 54.96 lakhs. Despite the spiralling of the cost of raw material by more than 20 per cent and power and fuel costs, the company has been able to achieve good results. The directors recommended payment of a dividend at the rate of 12 per cent on the capital of the company for the year, subject to the consent of the Industrial Finance Corporation of India.

The production of paper and board during the year under review was 34,222 tonnes as against 30,454 tonnes during the previous year, registering a significant increase in production by 12.37 per cent over the last year's production. This performance was rendered possible mainly because of the timely commissioning of the 5 MW turbogenerator set which enabled the company to meete its power requirement to the extent the supply from the main grid fell short. Sales during the year was 24,410 tonnes. Though the selling price of paper had to be kept down under a system of self-regulation, the demand for paper was good and inventory at the close of the year was only 450 tonnes, a major part of which was covered by indents pending despatch. The net sales realisation amounted to Rs 1194 lakhs as compared to Rs 1119 lakhs for the previous year.

During the year, the company extracted 41,328 airdry tonnes of bamboo and 16,836 tonnes of eucalyptus wood from government sources. In addition the company procured 5,589 tonnes of bamboo and 32,005 tonnes of wood from private sources. The company requested the Tamil Nadu government to ensure supply of 132,500 tonnes of raw material each year to meet the requirements of the original and the expanded units from 1978-79 onwards. The company has successfully completed erection of all the sections relating to the second expansion project, taking the production capacity from 35,000 tonnes to 55,000 tonnes of pulp and paper per annum. The directors have reported that while the estimated cost of the expansion was Rs 20 crores, they were able to contain the project cost at around Rs 17.55 crores.

Hindustan Lever

The Hindustan Lever Ltd propose to increase its authorised capital from Rs 25 crores divided into 25,000,000 equity shares of Rs 10 to Rs 35 crores divided into 35,000,000 equity shares of Rs 10 each. The directors consider that the issued share capital of the company should be brought into closer relationship with the capital employed in the business.

The company also proposes that subject to the consent of the Controller of Capital Issues, the approval of the Reserve Bank of India and other necessary approvals, the sum of Rs 7.29 crores comprising the whole of the company's share premium account and a part of the general reserve be capitalised and new bonus shares be allotted in the proportion of one new equity share for every three existing equity shares held. The new equity shares shall, on allotment, rank pari passu in all respects with the existing issued equity shares of the company, except that the bonus shares alloted in respect of the 50,20,000 equity shares which became fully paid up on June 1, 1978 shall rank pari passu for dividend for 1978. The present authorised share capital of the company is Rs 25 crores and the present issued share capital is Rs 21.87 crores. On the issue of bonus share it will increase to Rs 29.16 crores.

Hindustan Everest Tools

The directors of Hindustan Everest Tools Limited have reported a gross profit of Rs 30.54 lakhs for the year ended March 31, 1978 as against Rs 30.07 lakhs last year. A sum of Rs 7.45 lakhs (Rs 5.74 lakhs) has been provided for depreciation and Rs 3.20 lakhs for investment allowance reserve. After providing Rs 3 lakhs for taxtation, a sum of Rs 4.49 lakhs has been appropriated for dividend on equity shares. The directors have recommended a dividend of Rs 1.80 per equity share of Rs 10 each.

During the year production and sales improved substantially. Total sales were recorded at Rs 316.18 lakhs as against Rs251 lakhs last year. Export sales also improved to Rs 202.97 lakhs as against Rs 186 lakhs last year. The company's endeavour towards development of new produets have shown good results. Phase I of the modernisation and diversification programme was completed during this year and larger production of certain newly introdueed items has been taken up. The die making capacity of the tool room has also been increased.

New Products

The research and development cell of the company is constantly working to achieve the objectives with which it was started. Two new ranges of spanners were developed by the cell and the same have been introduced in the US market. Work is being done in the direction of development of other varieties of tools including specialised tools and products of diverse nature required by defence organisations.

The consultancy division has been working on a number of projects including preparation of a long term plan for the company itself. There are requests from many developing countries to provide them technical know-how and collaboration for setting up hand tool manufacturing units. A plan had been submitted for setting up a mini industrial complex near the factory at Jatheri to the government of Haryana. The campany continued to provide assistance to the traditionally skilled artisans in the field of production of tools at Nagaur. Many more steps were taken to assist these artisans. A loan of Rs 30 lakhs has been sanctioned by UP Financial Corporation and Rs 31.50 lakhs by Pradeshiya Industrial and Investment Corporation of UP

Ltd. The terms and conditions of the loans are under negotiation.

Ismailia Cooperative Bank

The Ismailia Co-operative Bank Ltd, Bombay, made a profit of Rs 9.40 lakhs (Rs 8.27 lakhs) during year ended June 1978, after making all the required provisions. The directors have proposed a dividend of 12 per cent. The bank's deposits increased by 53.9 per cent from Rs 196.93 lakhs to Rs 303.20 lakhs and the advances by 97.4 per cent from Rs 113.06 lakhs to Rs 223.20 lakhs. The liquid assets have gone up from Rs 162.77 lakhs to Rs 175.19 lakhs.

The small loans bearing 9.6 per cent interest per annum form about 33.2 per cent of the total advances. The bank's share capital increased from Rs 25.31 lakhs to Rs 31.07 lakhs and the reserves and other funds from Rs 51.91 lakhs to Rs 59.66 lakhs.

Firth (India)

The Nagpur plant of Firth (India) Steel Co Ltd, is now on a firm footing according to Mr I.M. Pai, managing director of the company. The plant is working at 75 per cent of its licensed capacity of 6,000 tonnes of billets. The unit would be achieving the full capacity utilisation in six months. He said that the company has asked the government to allow expansion of its capacity to 18,000 tonnes of billets. It was estimated that this would involve an additional outlay of Rs 3 crores. The Nagpur plant was started in November 1976 and within a short span of one and half years it has gone into three shift operations in June 1978.

Mr Pai added that the management expected the company to earn a reasonable profit for the current year. The sales of the company in the five months of the current year (April to August, 1978) was higher at Rs 1.53 crores against Rs 82 lakhs achieved in the same period of the previous year.

Despite the rise in production and sales the company made a nominal operating profit of Rs 5.46 lakhs during the year ended March 1978 against the loss of Rs 1.66 lakhs in the previous year. After providing Rs 42.70 lakhs for interest and Rs 15.18 lakhs for depreciation, the net loss was Rs 52.42 lakhs against Rs 53.15 lakhs in the previous year. The loss was mainly due to the heavy interest burden for financing the new project at Nagpur.

Zuari-Agro

The directors of Zuari-Agro Chemicals have proposed a maiden equity dividend of 10 per cent for the year ended June 30, 1978 besides clearing arrears of preference dividend. A substantial portion, if not the whole, of the proposed dividend is expected to be exempt from tax. The maiden equity dividend follows a marked improvement in the company's performance. The proposed dividend is in line with the general market expectations.

The company's gross profit has increased to Rs 11.95 crores from Rs 6.53 crores for 1976-77, an increase of 83 per cent. Sales have increased by about 12 per cent to Rs 65.86 crores from Rs 57.99 crores. Its pretax profit amounts to Rs 7.71 crore against Rs 2.32 crores after providing Rs 4.24 crores (Rs 4.21 crores) for depreciation. The directors have written back development rebate reserve of Rs 9.74 crores provided in earlier years.

After providing Rs 11.49 lakhs for share issue expenses and making provisions for investment allowance and other adjustments, the disposable profit amounts of Rs 4.68 crores.

The arrears of preference dividend will claim Rs 3.11 crores, while the proposed 10 per cent equity dividend will absorb Rs 1.24 crores.

Metal Box

The Metal Box Co of India Ltd has received the final clearance for its proposed bearings project at Kharagpur (West Bengal) from the government and work has already started in this respect. The project is expected to start commercial production from the second half of 1979-80. The offset printing machinery project launched last year is progressing satisfactorily and the prototype model will be ready for trial during this year.

The board of directors have recommended an 80p equity dividend for the year ended March 31, 1978. Sales are higher than the previous year's by 26 per cent at Rs 68.20 crores and the profit after interest and depreciation is Rs 2.87 crores. The improved profit has not only wiped out the entire accumulated loss but has also enabled the company to recommend the dividend. The following appropriations have been made: Rs 25,000 added to the development rebate reserve and Rs 20 lakhs transferred to debenture redemption reserve. After making these appropriations, setting off the Rs 1.63 crores loss brought forward from the previous year and providing for dividend, the balance surplus of Rs 24 lakhs is carried forward.

Indian Organic

Indian Organic Chemicals has been able to maintain its aggregate turnover so far during the current year despite lower price realisation for its major product, polyester fibre.

The company's sales during the first four months of the current year (April to July) have totalled Rs 11.35 crores against Rs 11.38 crores during the corresponding period of last year. Disclosing this, the company's chairman, Mr B.M. Ghia, told shareholders at the annual meeting recently that the average price realisation of polyester fibre so far this year was lower by about Rs 4 to Rs 5 per kg than that in the corresponding period of last year.

He said it would be difficult to anticipate likely production and sales of polyester fibre this year as that would largely depend upon the government's policies on imports and excise relief scheme. So far the government has not taken any decision on the continuing imports of polyester fibre. Mr Ghia said that the government has waived the export obligation on polyester fibre industry and this is a great relief to the company.

Meanwhile, the company's investment on doubling its plant capacity is expected to be of the order of Rs 10 crores to Rs 15 crores.

The performance of the company's application for the manufacture of microbial auxiliaries, which act as supplement to fertilisers, is pending with the government. The company's production of plasticizers, which has been below the capacity for the past few years, is expected to increase

with the imports of PVC resins in large quantities.

Indian Tool

Indian Tool Manufacturers is paying a dividend of 10 per cent for the year ended March 31, 1978, despite a sharp setback in its working results. The company had paid 12.5 per cent for the year 1976-77.

Preliminary figures show a drop in the gross profit from Rs 81.55 lakhs to Rs 30.87 lakhs. After providing Rs 37.38 lakhs (Rs 34.31 lakhs) for depreciation, Rs 4.29 lakhs (Rs 1.09 lakhs) for investment allowance reserve and nil (Rs 9 lakhs) for the tax liability and after making certain adjustments, there is a net deficit of Rs 15.10 lakhs to compare with the previous year's net surplus of Rs 31.71 lakhs. The proposed dividend will be paid by a withdrawal from the general reserve.

Capital and Bonus Issues

The government of India has allowed nine companies to raise capital of Rs 24.15 million through bonus issues. The details are given below :

Swadeshi Mills Company Ltd: Rs 30.25 lakhs in the ratio of one bonus share of Rs 100 for every four equity shares of Rs 100.

East India Carpet Co Ltd: Rs 7.50 lakhs in the ratio of one bonus share of Rs 10 for every two equity shares of Rs 10.

Coates of India Ltd: Rs 18,43,660 in the ratio of one bonus share of Rs 10 for every five equity shares of Rs 10.

Hardcastle and Waud Manufacturing Company Ltd: Rs 20 lakhs in the ratio of two bonus shares of Rs 100 each for every three equity shares of Rs 100.

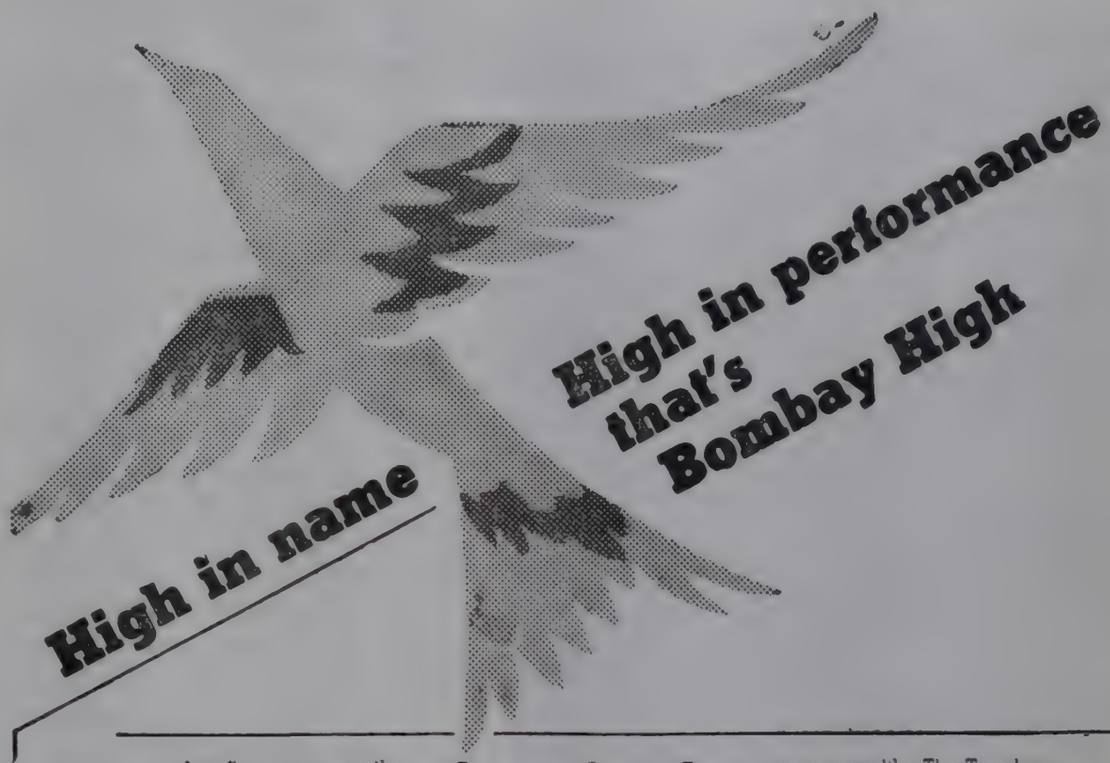
Electra (India) Ltd : Rs 11.20 lakhs in the ratio of one bonus share of Rs 10 for each equity share of Rs 10.

Bhuyankhat Tea Co Pvt Ltd: Rs 96,000 out of the general reserve for making 2,400 equity shares of Rs 100, fully paid up.

Belpahar Refractories Ltd: Rs 150 lakhs in the ratio of three bonus shares of Rs 100 each for every seven equity shares of Rs 100.

Plast Con Packaging Pvt Ltd: Rs 23,000 in the ratio of one bonus share of Rs 100 for each equity share of Rs 100.

Biddle Sawyer Pvt Ltd: Rs 3 lakhs in the ratio of three bonus shares of Rs 100 each for every ten fully paid equity shares of Rs 100.



Just five years ago the Bombay High Project was a mere dream. Today it is the largest single oil producing complex in the country pumping 80,000 barrels of oil per day.

Situated 160 kms. from Bombay city in the Arabian Sea, Bombay High is a promising sub-sea structure covering an area of about 1500 sq. kms. Its development has been conceptualised in five phases. India joined the most advanced off-shore oil producing countries when in July this year oil and associated gas started flowing into the 203 kms long under-sea pipelines from Bombay High fields to the Shore Terminal at Uran and from there to Trombay.

A programme of this magnitude has not been attempted anywhere else in the world within a short span of less than a year.

The first well in Bombay High structure was drilled in January 1974 and oil was struck on February 19, 1974. Commercial production started in May 1976 and within 2 years production potential has been raised to one lakh barrels per day i.e 5 million tonnes of oil per year. When fully developed it would start pumping 2,00,000 barrels per day or 10 million tonnes per year. With the completion of Phase III-A over one million cubic metres of Bombay High associated gas will, for the first time, be available to industrial consumers like The Trombay Fertiliser Plant and The Tata Thermal Power Plant

the project that saves foreign exchange worth Rs. one crore everyday

Oil, so far carried to coastal refineries in tankers, now flows to them through the pipeline uninterrupted and unaffected by the vagaries of monsoon.

We are living in an oil age. Oil and natural gas are the prime nourishers of industry as sources of energy and fuel for power and as feed-stock for many core industries upon whose progress depends India's economic advancement. And, with world oil prices becoming prohibitive, Oil and Natural Gas Commission has taken up the challenge to oil the wheels of India's progress at progressively lesser cost to the nation.

Oil flows -the nation grows

ONGC

OIL AND NATURAL GAS COMMISSION DEHRADUN

ONGC

davp 78/223

Sachar panel on Companies and MRTP Acts

The high-powered expert committee, headed by Justice Rajindar Sachar, which was appointed by the government to review the Companies Act and the Monopolies and Restrictive Trade Practices Act, submitted its report on August 29, to the minister for Law, Justice and Company Affairs, who laid it before parliament on August 30. Here is a summary of the recommendations made by the committee.

THE REPORT, which covers the two most important legislations affecting the corporate sector, had to deal with almost every aspect of the working of these legislations and, within the terms of reference, had also to cover some new grounds like workers' participation in management, social responsibility of business, professionalisation of management and coming to the MRTP Act, also the new area of unfair trade practices. The report contains a large number of recommendations which make a departure from the existing framework of these legislations in approach towards and philosophy for corporate regulation. One unique feature of the report is its emphasis on increasing reliance being placed on an inbuilt self-regulatory mechanism which would in future call for direct government regulation only by way of exception.

Statutory Guidelines

Thus, the committee laid emphasis on laying down certain statutory guidelines within which managerial appointments and remuneration, inter-corporate investments and loans, etc. will be made or fixed by the companies themselves without being required, as at present, to approach the government for prior approval. In future, many more items of corporate business would require sanction of the shareholders by special resolution. In this connection, the committee's recommendation to extend the full voting right on a show of hands (as in case of poll at present) to the proxy and also giving a right to him to speak at the meeting, on the same footing as the shareholder of the company, is of special significance. The committee's recommendation for much greater disclosure by directors and by the company to the shareholders is also in line with this approach.

Professional Managers

The committee has recommended that so long as managing or whole-time directors in public companies are professional managers i.e. persons having specialised knowledge as well as specialised experience as defined by the committee, their appointment would not, in future, require prior approval of central government if certain conditions are fulfilled and their remuneration etc. is within the statutory guidelines as may be laid down by the government for different categories of companies. The committee has also recommended that public companies with paid-up capital of Rs 50 lakhs or more must necessarily appoint a whole-time or managing director.

Committee's Stipulation

The committee has stipulated that a managing or whole-time director will not be above the age of 65 years and other directors will not ordinarily be above 70 years. In the interest of professionalisation, all companies with paid-up capital of Rs 25 lakhs or more would be required to employ a qualified accountant or a financial controller: and also cost accountant and an internal auditor, if the companies concerned are engaged in certain specified activities.

The committee has also made a recommendation for workers' participation at the board level, which may initially be limited to companies employing one thousand or more workmen. The scheme would apply both to government and non-government companies. Companies employing lesser number of workers would also have the discretion to have such workers' participation. The committee has recommended detailed mechanism for ensuring effective participation of workers and has suggested that if 51 per cent of the eligible workmen vote in favour, the company would be legally bound to implement the scheme without any avoidable delay. The exact percentage of worker directors on the board of directors has been left for government decision in consultation with employers' and workers' representatives.

The committee has come out clearly in favour of implementation of the concept of social responsibility of the corporate sector and has, *inter-alia*, recommended for inclusion of a provision in the Companies Act requiring adequate disclosure in the form of a social report.

Shareholders' Safeguards

The committee has also recommended a series of measures to safeguard further the interests of shareholders and to prevent mismanagement in companies. An important recommendation in this regard is the recognition of shareholders' associations which will, in appropriate circumstances, be able to take up the cause of aggrieved shareholders with the management, courts and the Company Law Board. Powers of courts to deal with alleged acts of oppression of minority and of mismanagement have been recommended to be enlarged. Appropriate recommendations with regard to carrying out inspections and investigations of companies have also been made.

Another important area of the committee's recommendations relates to inter-corporate investments and loans. A revised definition of 'invest-

ment company' has been suggested with a view to preventing the present practice of using such companies as a vehicle for corporate control. By an amendment proposed to the MRTP Act, such investment companies are also proposed to be brought within the ambit of that law, thus plugging a major loophole. Investments should henceforward also include contributions made by companies in the capital of partnership firms and joint ventures which were so far excluded. Debentures as well as deposits made by companies should also henceforward be included for the purpose of inter-company loans.

Major Departure

The committee has suggested a major departure by stipulating that the capacity of a company to invest in shares or give loans, including deposits, to others should, in future, be related only to 'free reserves' as newly defined by the committee with a view to ensuring a rational basis for determining genuine surplus for such purposes. The cases for which inter-corporate investments can in future be made have been limited to three categories which, in committee's view, will lead to growth of the economy. Thus, government approval has been dispensed with except where, in public interest, such investments or loans are proposed to be made beyond the suggested provisions.

As regards public deposits, an area in which there is considerable public interest, the committee has taken the view that these being in the nature of unsecured debentures, there is no justification for allowing private companies to accept deposits. The committee has also suggested certain additional measures of protection to the depositors.

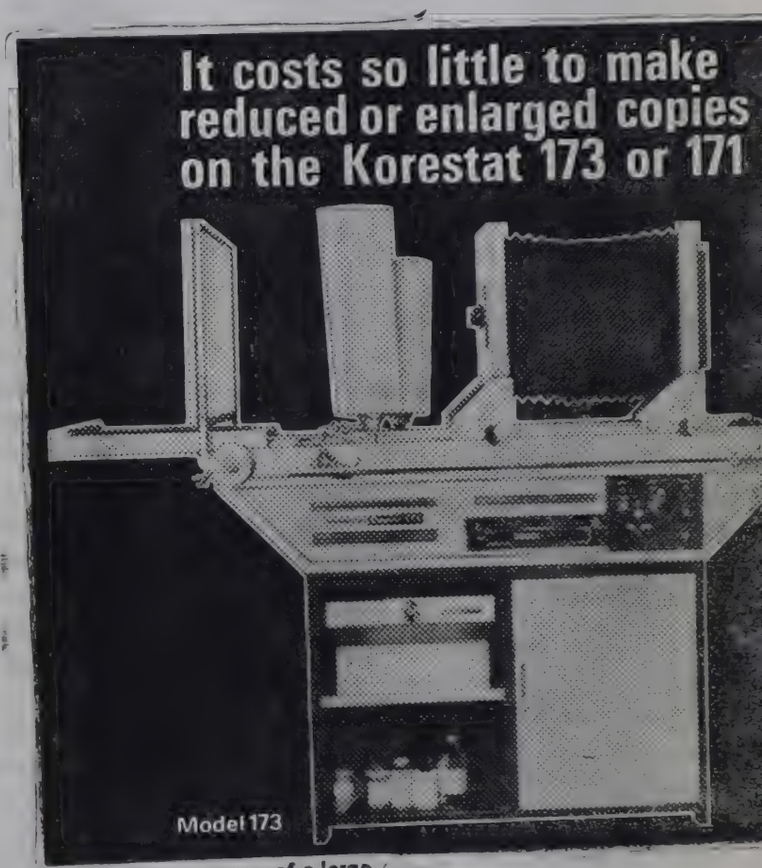
Sensitive Issue

On the politically sensitive issue of donations by companies to political parties or for political purposes, the committee has unanimously come to the conclusion that the existing ban on such contributions and donations should be further strengthened to plug any possible loophole and, in addition, the recipient of such contributions should be made as much liable to criminal action as the giver thereof.

The committee has found that among the private limited companies, which constitute about four-fifth of total number of companies, as many as 84 per cent, fall within the category of 'small companies' having paid-up capital upto Rs 5 lakhs. To relieve such small companies of the unnecessary burden of much paper work, the committee has made suggestions for extending to them certain further concessions and privileges in addition to those already available.

The committee has come to the conclusion that there is no case for government companies to claim exemption from the provisions of the Company Law. The definition of a government company, as suggested by the committee, makes it explicit that such a company is a public limited company of a separate type by itself. The committee has recognised the need to provide safeguard for preserving the autonomy of government companies in specified fields.

Recognising the need for simple, adequate and meaningful disclosures, the committee has made a number of recommendations in the field of accounts and audit. Apart from



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additional disclosures and maintenance of certain prescribed information, the committee has made specific recommendations designed to prevent taking of unfair profits by 'insiders' like company's directors, statutory auditor, cost auditor, accountant etc. The committee is also in favour of cost audit being made a regular feature and has also suggested measures with regard to the appointment of cost auditors.

An area of corporate sector, in which the position of law had not changed for a long time, relates to winding up proceedings of companies in liquidation. The committee has made a number of recommendations in this matter in the expectation that delays in termination of such proceedings would be minimised.

Terms Defined

The committee has suggested the addition of some new definitions such as those, of accountant, auditor, free reserves, managing or whole time director, worker-director etc. The other suggestions made by the committee include compulsory provision for gratuity to workers in the accounts, abolition of irredeemable preference shares as a class, dispensing with the requirement of holding a statutory meeting, recasting of provisions relating to declaration of dividends, redefining of selling arrangements, payment of composite fee by companies on annual basis instead of with each separate document etc etc.

The committee is for setting up of an independent Company Law Board as a quasi-judicial body on the pattern of Income Tax Appellate Tribunal to achieve more effective implementation of certain functions and duties to be assigned to such a board. The committee has delineated the functions to be discharged by the central government, reconstituted Company Law Board, Registrars of Companies and the courts. Powers to impose penalties in favour of Registrars and Company Law Board have been proposed in place of existing practice of imposing fines by the courts.

Simplifying Procedure

In accordance with the committee's terms of reference calling upon it to suggest simplification of the law, the committee's recommendations would have the effect of reducing the bulk of the Companies Act considerably. Besides doing away with a number of schedules and tables and regulations in the existing law, the committee has recommended deletion of about 175 sections from the present Act. Some of the sections of the present Act would also find place in the present table 'A' of the Act as compulsory regulations. Further reductions will take place as a number of provisions will have to be deleted consequent on deletion of certain sections which have become redundant.

In so far as the committee's recommendations relating to administration of the Monopolies and Restrictive Trade Practices Act, 1969 are concerned, these are designed to remove the existing lacune and obscurities in the law and to bring about more effective implementation as well as strengthening of the provisions of this Act.

The committee has not suggested any change in the existing criterion of Rs 20 crores as value of assets for applicability of provisions of Chapter III of the Act. On the other hand, the committee has suggested reduction of the market share from the present one-third to one-fourth in order to determine dominance of any particular undertaking and the applicability of the relevant provisions thereto.

The committee has suggested far-reaching changes in the procedure for disposal of applications, particularly under sections 21, 22 and 23 of the MRTP Act. It has suggested compulsory reference by the central government of certain types of cases relating to concentration of economic power to the Monopolies Commission, which should be given powers for final disposal of such cases. The committee has also suggested clarificatory provisions to ensure the applicability of provisions of section 22 of the Act for establishment of a new interconnected undertaking by a dominant undertaking for manufacture of same type of goods as well as to proposals for diversification by large houses.

A New Concept

The committee has proposed complete prohibition of monopolistic trade practices and also certain specified restrictive trade practices, the latter being subject to certain general defences. A major recommendation in the direction of consumer protection is bringing within the purview of the MRTP law a new concept of unfair trade practices such as, misleading advertisements, false representations, hoarding and destruction of goods etc. The committee has suggested that the provisions relating to monopolistic, restrictive and unfair trade practices should also apply to government companies.

The committee has suggested a number of practical measures to strengthen the role of Monopolies Commission. These include the power to grant interim injunctions and damages to compensate any loss suffered by consumers and others. A procedure for recovery of damages through 'class action' has also been suggested.

Dissenting Note

While the committee's report is unanimous on most of the issues dealt with by it, two notes by Mr R.D. Gattani and Mr K.P. Tripathi, and a note of dissent by Mr K.K. Ray, members of the committee, have been appended to the report. In his note, Mr Gattani has expressed the view for total ban on inter-corporate investments and for limiting inter-corporate loans to 10 per cent of free reserves. Mr Tripathi, in his note, has dealt with the percentage of worker-directors on the board of companies, need for profit ceiling on companies, managerial remuneration and ceiling on assets of monopoly houses. In his note of dissent, Mr K.K. Ray has put forth his views on certain subjects such as definition of 'investment companies', 'professional manager' and 'financial institutions', compulsory adoption of cumulative voting by postal ballot for election of directors in case of certain public limited companies; compulsory appointment of managing or whole time director in certain types of public limited companies; ceilings on managerial and executive remuneration. In regard to MRTP Act, Mr Ray has suggested deletion of section 21(4) and clause (a) of sub-section (4) of section 23 from the Act in order to bring about curbs on growth of large houses.

Rainfall and Indian Agriculture

In a study published in the December, 1977 set of occasional papers by the Reserve Bank staff, Miss N.R. Kothare, a Research Officer in the Rural Economics division of the RBI Economic department, has tried to assess the impact of rainfall and floods on Indian agriculture since 1950.

NOTING THAT rainfall and floods significantly affect agricultural output and further that there has been a deterioration in the rainfall situation in certain divisions of western India since 1965, she argues that the amplitude of fluctuations in farm output has been reduced because of the introduction of technological changes in production, extension of irrigation facilities and larger areas brought under the rabi crop.

The conclusions reached by Miss Kothare are reproduced below, both in respect of the impact of rains and the problems caused by floods. The two tables published here indicate the behaviour of rains in various parts of the country during the 27 years to 1976 and the percentage changes in agricultural production as a result of the fluctuations in rainfall.

In India, south-west monsoon (June-September) accounts for about 74 per cent of the aggregate rainfall, followed by post-monsoon period, October-December (13 per cent). Indian rainfall is variable

TABLE I

Impact of Rainfall on Agricltural Production

(Frequency distribution of rainfall sub-divisions)

	South-west monsoon period			Post-monsoon period			Percentage change in production†		
	No. of sub-divisions in which rainfall was		Total sub-divisions*	No. of sub-divisions in which rainfall was		Total subdivisions*			
Year	N/E	D/S		N/E	D/S		Year	Foodgrains	All crops
1950	27	1	28	9	19	28	1950-51	—10.4	— 5.4
1951	20	8	28	17	11	28	1951-52	+ 1.2	+ 2.0
1952	16	5	21	8	13	21	1952-53	+10.6	+ 5.4
1953	20	1	21	6	15	21	1953-54	+18.0	+17.3
1954	20	1	21	10	11	21	1954-55	— 4.0	— 2.4
1955	20	2	22	18	4	22	1955-56	— 0.1	— 0.5
1956	21	1	22	27	—	27	1956-57	+ 4.5	+ 6.0
1957	23	7	30	14	16	30	1957-58	— 8.7	— 6.5
1958	27	3	30	25	5	30	1958-59	+18.7	+15.4
1959	24	6	30	21	8	29	1959-60	— 1.9	— 2.4
1960	25	4	29	15	14	29	1960-61	+ 7.2	+ 8.9
1961	28	1	29	23	6	29	1961-62	+ 0.6	+ 0.3
1962	26	3	29	17	12	29	1962-63	— 3.2	— 1.6
1963	27	2	29	22	7	29	1963-64	+ 2.3	+ 2.5
1964	30	—	30	13	17	30	1964-65	+10.1	+10.7
1965	15	17	32	5	27	32	1965-66	—19.7	—16.7
1966	19	13	32	17	15	32	1966-67	+ 2.2	+ 0.1
1967	31	1	32	17	15	32	1967-68	+27.4	+21.6
1968	22	11	33	12	21	33	1968-69	— 1.2	— 1.5
1969	26	7	33	11	22	33	1969-70	+ 6.7	+ 6.7
1970	32	1	33	10	23	33	1970-71	+ 8.4	+ 7.3
1971	27	7	34	20	14	34	1971-72	— 1.4	— 0.4
1972	16	19	35	17	18	35	1972-73	— 8.2	— 8.0
1973	34	1	35	26	9	35	1973-74	+ 8.5	+10.7
1974	18	17	35	20	15	35	1974-75	— 5.7	— 3.5
1975	34	1	35	26	9	35	1975-76	+21.9	+15.6
1976	32	3	35	12	23	35	1976-77	— 8.4@	— 6.7@

*=Based on availability of rainfall figures. @=Based on Economic Survey, 1977-78. N=Normal E=Excess

†=Calculated from the index numbers of production with base: Triennium ending 1961-62=100 D=Deficient S=Scanty

from place to place, month to month and year to year. It is restricted to a few days in a year in western Rajasthan and Kutch and is spread over a longer period of 7 to 9 months in some areas like Assam and Kerala. All agricultural crops require rainfall in time. Crop failures are more often due to unseasonal rain rather than due to shortage in total rainfall. Even in the years of low total rainfall, high yields have been obtained when the rainfall was timely and well-distributed. But well-distributed rainfall can be expected only two or three times in a decade.

Taking into account the south-west and post-monsoon rainfall, it was observed that rainfall was satisfactory in 13 out of 27 years covered in this study. For another 10 year period; rainfall during the south-west monsoon was satisfactory. In 1965, 1966, 1972 and 1974, there was large-scale failure of rainfall over large areas in the country. A most striking rainfall pattern that has emerged from the analysis is that since 1965, there seems to be a marked deterioration in the receipt of rains in certain divisions of western India, especially in west Rajasthan, Saurashtra, Kutch and Konkan.

Despite this deterioration in rainfall situation since 1965, the amplitude of fluctuations in agricultural production has been reduced because of the introduction of technological change in production, extension of irrigation facilities and larger areas brought under rabi crop. Thus, the proportion of gross irrigated area to net sown area increased from 19.0 per cent in 1950-51 to 28.2 per cent in 1975-76. Rabi crop accounted for 41 per cent of total foodgrains production in 1975-76 as compared with 34 per cent in 1966-67. Nevertheless, the expansion of irrigation facilities to the extent required to supplement the deficiency of rainfall and overcome its erratic behaviour will take some years to achieve. In the meantime, efforts should be directed to develop scientific approach in the determination of suitability of the soil for different crops so that the cropping pattern may be altered to attain higher production.

The unusually heavy rains in short periods in some parts of the country give rise to floods. The country has an extensive river system and hence vast areas are vulnerable to floods during the monsoons. Uttar Pradesh, Bihar, West Bengal and Assam in the Ganga and Brahmaputra plains are subject to floods almost every year. In other parts of the country, floods occur intermittantly depending upon the receipt of heavy showers. "Data on flood damage available since the year 1953 show that, on an average, floods affect an area of 6.7 million hectares annually, including 2.6 million hectares under crops. The annual average damage, which is mostly to crops, houses and public utilities, has been estimated to be about Rs 126 crores over the 1953-72 period.. Almost 70 per cent of the damage relates to crops".

The National Flood Control Programme was launched in 1954. The protective measures implemented since then have benefited about 7.1 million hectares. During the fourth Plan period, about 1.2 million hectares are estimated to have been protected against floods. The revised fifth Plan had provided for an outlay of Rs 345 crores for flood control. (The draft sixth Plan envisages an outlay in this programme to as large an extent as Rs 675 crores).

The government of India has set up a National Commission on Floods to make a comprehensive review of the flood control measures undertaken since 1954 and to evolve a comprenensive approach to the problem of floods, including optimum utilisation of water resources and role of soil conservation and afforestation in flood control.

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TABLE II

Adequacy of Rainfall During 1950 to 1976

Rainfall division	Normal (Annual rainfall) Total for June to May (mms.)	South-West Monsoon Period (June - September)				Total No. of years	Post Monsoon Period (October—December)				Total No. of years
		Normal (mms.)	No. of years in which rainfall was				Normal (mms.)	No. of years in which rainfall was			
			Normal	Excess	Deficit/ Scanty			Normal	Excess	Deficit/ Scanty	
I. Wet Areas (With normal annual rainfall above 1150 mms.)											
1. Arunachal Pradesh	3660	2614	3	1	1	5	225	1	2	2	5
2. Coastal Karnataka	3171	2775	14	4	2	20	245	11	7	9	27
3. Bay Islands	2853	1479	22	4	1	27	793	15	7	5	27
4. Sub-Himalayan West Bengal	2797	2206	22	—	5	27	161	9	8	10	27
5. Kerala	2570	1644	18	6	3	27	496	10	7	10	27
6. South Assam	2523	1613	10	—	2	12	216	3	—	5	8
7. North Assam	2430	1567	23	1	3	27	163	11	6	10	27
8. Konkan and Goa	2202	2062	17	6	4	27	110	5	11	11	27
9. Himachal Pradesh	1846	1348	8	3	4	15	111	1	4	11	16
10. Hills of West Uttar Pradesh	1769	1407	3	1	2	6	89	1	1	4	6
11. Arabian Sea Islands (Lakshadweep)	1612	878	12	5	3	20	410	8	5	7	20
12. Orrissa	1473	1100	21	2	4	27	205	3	13	11	27
13. Gangetic West Bengal	1461	1095	24	1	2	27	142	7	11	9	27
14. East Madhya Pradesh	1401	1197	20	1	2	27	97	8	6	13	27
15. Bihar Plateau	1357	1106	20	2	5	27	94	6	6	15	27
16. Bihar Plains	1269	1074	20	—	7	27	77	5	7	15	27
II. Medium Rainfall Areas (With normal annual rainfall between 750 mms. and 1150 mms.)											
17. East Uttar Pradesh	1077	940	16	4	7	27	64	1	9	17	27
18. West Madya Pradesh	1075	975	21	2	4	27	55	5	8	14	27
19. West Uttar Pradesh	1062	922	18	5	4	27	43	—	9	17	26
20. Vidarbha	1060	918	13	3	4	20	79	7	7	7	21
21. Coastal Andhra Pradesh	1017	518	12	10	5	27	403	13	6	8	27
22. Tamil Nadu and Pondicherry	1013	285	13	6	3	22	566	10	6	6	22
23. Telengana	903	730	13	3	4	20	91	8	8	5	21
24. Gujarat	842	801	7	10	10	27	27	4	6	17	27
25. Marathwada	797	660	10	3	3	16	90	1	5	6	12
26. North Interior Karnataka	760	549	15	4	1	20	128	8	7	5	20
27. Haryana	756	601	5	3	1	9	52	1	1	7	9
III. Dry Areas (With normal annual rainfall of less than 750 mms.)											
28. South Interior Karnataka	740	372	14	3	3	20	212	9	4	7	20
29. Maharashtra (Madhya)	707	519	14	4	2	20	121	6	7	8	21
30. Punjab (including Delhi)	695	565	15	9	3	27	29	1	11	15	27
31. East Rajasthan	688	625	12	8	7	27	26	5	8	14	27
32. Rayalaseema	672	437	16	8	3	27	172	9	9	9	27
33. Jammu and Kashmir	533	169	9	8	5	22	56	6	4	12	22
34. Saurashtra & Kutch	465	431	10	9	8	27	18	1	8	17	26
35. West Rajasthan	319	275	9	8	10	27	11	1	7	19	27

Note: 1. Normal rainfall : when the deviation from normal rainfall is+19 to—19 per cent. 2. Excess rainfall : when the deviation from normal rainfall is+20 per cent or more. 3. Deficit rainfall : when the deviation from normal rainfall is—20 to—59 per cent. 4. Scanty rainfall : when the deviation from normal is—60 per cent or more.

Rainfall division	Winter or North-East Monsoon Period (January-February)					Pre-monsoon period (March-May)				
	Normal (mms.)	No. of years in which rainfall was			Total No. of year	Normal (mms.)	No. of years in which rainfall was			Total No. o years
		Normal	Excess	Deficit/ Scanty			Normal	Excess	Deficit/ Scanty	
I. Wet Areas (With normal annual rainfall above 1150 mms.)										
1. Arunachal Pradesh	135	1	1	3	5	686	1	2	2	5
2. Coastal Karnataka	3	—	3	21	24	148	6	10	10	26
3. Bay Islands	110	3	11	12	26	471	14	5	7	26
4. Sub-Himalayan West Bengal	29	6	3	17	26	401	12	5	9	26
5. Kerala	32	2	8	9	19	398	10	4	5	19
6. South Assam	51	3	2	3	8	643	3	—	5	8
7. North Assam	60	7	5	14	26	640	17	—	9	26
8. Konkan and Goa	5	—	3	22	25	25	5	8	13	26
9. Himachal Pradesh	189	5	6	5	16	198	3	5	9	17
10. Hills of West Uttar Pradesh	124	2	1	2	5	149	3	—	2	5
11. Arabian Sea Islands (Lakshadweep)	65	4	2	13	19	259	6	7	3	16
12. Orissa	36	4	7	15	26	132	7	3	16	26
13. Gangetic West Bengal	39	8	5	13	26	185	11	2	13	26
14. East Madhya Pradesh	39	5	4	17	26	68	6	9	11	26
15. Bihar Plateau	55	5	2	19	26	102	6	6	14	26
16. Bihar Plains	31	8	5	13	26	87	9	4	13	26
II. Medium Rainfall Areas (With normal annual rainfall between 750 mms. & 1150 mms.)										
17. East Uttar Pradesh	36	2	9	15	26	37	5	6	15	26
18. West Madhya Pradesh	19	2	5	19	26	26	7	5	14	26
19. West Uttar Pradesh	56	3	7	16	26	41	6	8	12	26
20. Vidarbha	23	2	4	13	19	40	3	8	9	20
21. Coastal Andhra Pradesh	26	2	4	20	26	70	3	7	16	26
22. Tamil Nadu & Pondicherry	53	2	3	17	22	109	9	6	7	22
23. Telengana	21	2	5	11	18	61	4	6	10	20
24. Gujarat	4	2	2	21	25	10	2	3	21	26
25. Marathwada	13	1	—	11	12	34	1	7	8	16
26. North Interior Karnataka	9	1	2	14	17	74	7	10	3	20
27. Haryana	60	3	1	4	8	43	—	4	4	8
III. Dry Area (With normal annual rainfall of less than 750 mms.)										
28. South Interior Karnataka	10	1	2	16	19	146	9	4	7	20
29. Maharastra (Madhya)	5	—	3	16	19	62	3	8	9	20
30. Punjab (including Delhi)	60	7	5	14	26	42	7	8	11	26
31. East Rajasthan	13	3	6	17	26	24	6	4	16	26
32. Rayalaseema	13	1	1	23	25	50	3	13	10	26
33. Jammu & Kashmir	119	8	2	11	21	189	7	5	9	21
34. Saurashtra and Kutch	5	1	4	20	25	11	3	3	20	26
35. West Rajasthan	12	4	6	16	26	21	2	6	18	26

Sources : 1. Indian Crop Calendar, 1967 for normal rainfall.
2. Estimates of area and production of principal crops in India for other columns.

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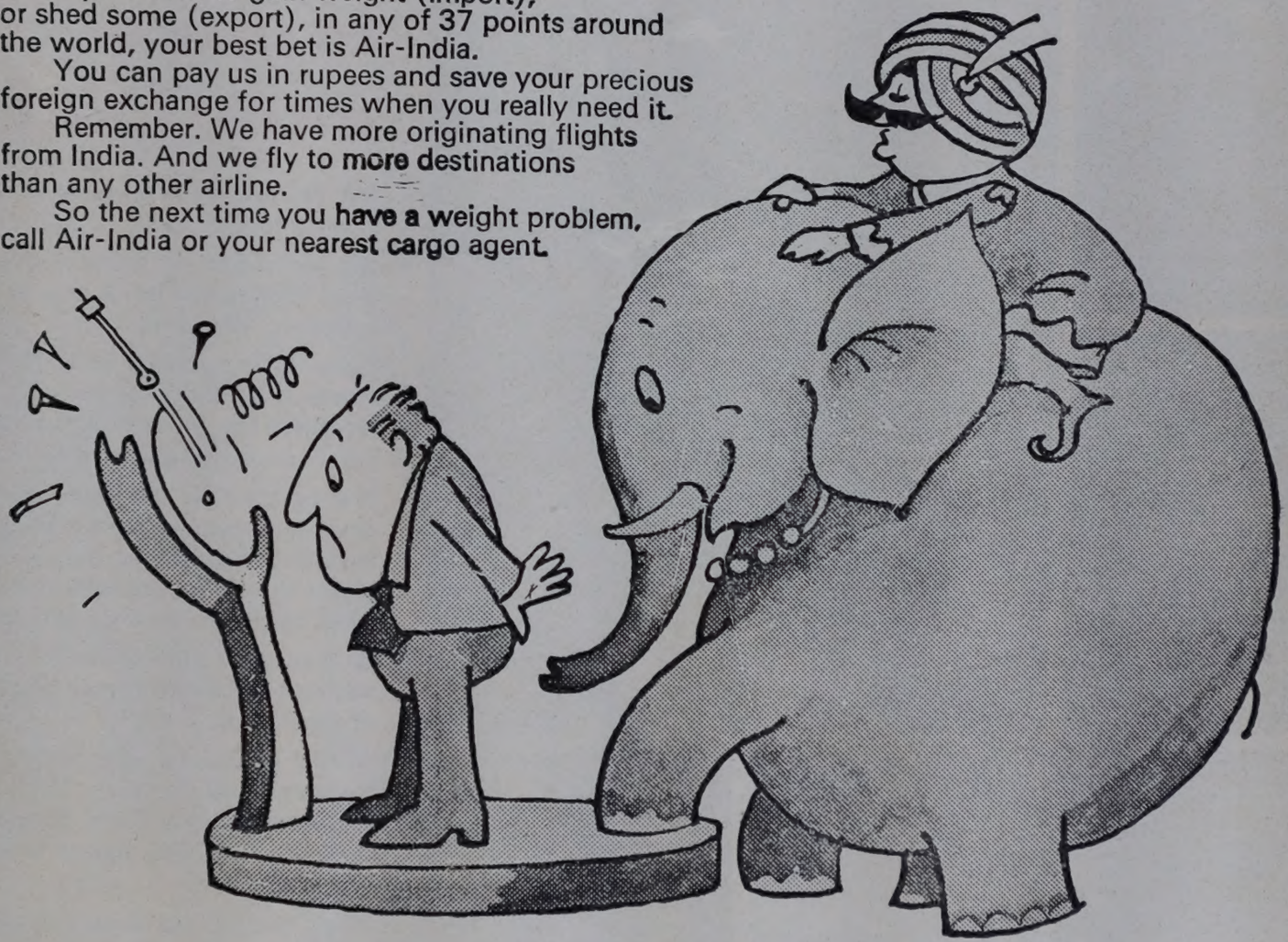

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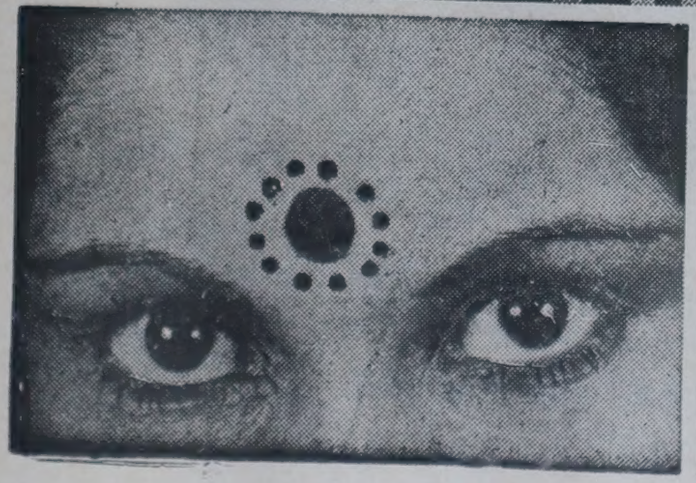

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